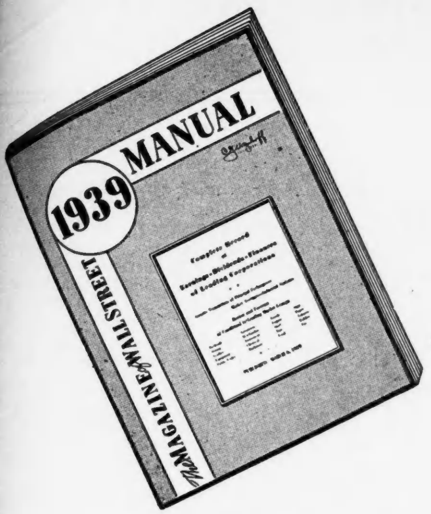
→ *Now* — MORE THAN EVER — *You Need* ←



THE MAGAZINE OF WALL STREET

Seventeenth Annual

MANUAL

A Year Book of

FINANCIAL, INDUSTRIAL, SECURITY
and ECONOMIC FACTS

FREE The actual facts on which market operations are based. The status of industries and the individual position of each company, as well as an analysis of the economic and business outlook, is the vital data you need today for market movements.

FACTUAL ★ ★ ★ ★ INTERPRETIVE

COMPLETE STATISTICAL RECORDS—Plus 100 tables and many charts, giving you a complete record of all leading companies in every important industry for *the past three years*—and in addition—high, low and last prices for 1938.

INTERPRETATION and FORECAST—All data and interpretive comment are presented with clarity and simplicity, giving you an accurate picture of individual corporations and the industry in which they are a component part. Our interpretation and forecast give you the benefit of our experienced and expert judgment in analyzing the trend of these corporations.

OTHER SPECIAL FEATURES

★ MARKETS . . .
Analysis of the Stock Market for 1938 with 1939 Outlook by the Industrial and Security Experts of The Magazine of Wall Street.

★ SECURITIES . . .
3 Years Earning Record—Capital Structure—Financial Position. Illustrated with Tables.

★ BONDS . . .
Bond Market Prices for 1938 and Analysis of Bond Market for 1938—and 1939 Forecast.

★ DOMESTIC TRADE AND BUSINESS . . .
Analysis of the Business Situation from the standpoint of important events and prospective trend.

Also FREE "A FLEXIBLE and STRATEGIC INVESTMENT PROGRAM"

As long as they last we will also include a copy of our valuable book "A Flexible and Strategic Investment Program" (worth $2.50) together with our 1939 MANUAL OF ESSENTIAL STATISTICS FREE with your subscription to THE MAGAZINE OF WALL STREET. This also entitles you to our extensive consultation service. See special offer on coupon below, and check subscription you desire.

MAIL THIS COUPON TODAY

THE MAGAZINE OF WALL STREET,
90 Broad Street, New York, N. Y.

Special Offer

Enclosed is $7.50. Enter my subscription as follows:

1—One year of The Magazine of Wall Street. (26) issues, newsstand value $9.10).
2—A copy of our "1939 Manual of Essential Statistics"—FREE.
3—"A Flexible and Strategic Investment Program" (Worth $2.50)—FREE.
4—Confidential Inquiry Privileges: On as many as three listed securities at a time.

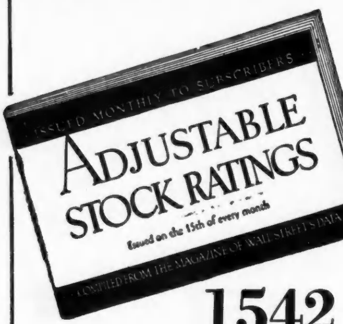
Enclosed is $12.50 for a two-year subscription (52 issues, newsstand value $18.20) including all of the above.

Name .... Address ....

.... 6-3-MPG

Add $1 additional for postage on each annual foreign subscription.

"I wouldn't be without this VALUABLE GUIDE"



1542

LEADING COMMON AND PREFERRED STOCKS ARE LISTED AND RATED IN EACH ISSUE

Thousands of investors agree that they cannot be without the valuable Adjustable Stock Ratings Guide for handy and quick market reference.

This 112-page booklet is pocket size and filled with complete vital statistics plus individual timely stock comment. Besides, Adjustable Stock Ratings gives you the present outlook for both industry and company in which you are interested. They make this booklet a "must" in every investor's pocket.

ONLY $2.50 A YEAR

Let us mail you the current issue each month for this low price. If you are a Magazine of Wall Street subscriber, we offer you this Stock Rating service for $1.50 a year—Our special offer of Adjustable Stock Ratings monthly service ($2.50 a year), one year's subscription to The Magazine of Wall Street ($7.50 a year), **PLUS** Free Personal Consultation Privileges on as many as three securities at a time—all at the combination price of $9.00 . . . gives you a low priced investment that should realize for you many times its actual cost.

MAIL TODAY

THE MAGAZINE OF WALL STREET
90 BROAD STREET, NEW YORK, N. Y.

☐ SEND ADJUSTABLE STOCK RATINGS, 1 YEAR...... $2.50

☐ $1.50 A YEAR IF YOU ARE MAGAZINE SUBSCRIBER

☐ ADJUSTABLE STOCK RATINGS ($2.50)
MAGAZINE OF WALL STREET ($7.50)
PLUS
CONSULTATION PRIVILEGES ON AS MANY AS 3 SECURITIES AT ONCE....... $9.00

NAME ....

ADDRESS ....

....

Foreign subscriptions for Adjustable Stock Ratings only—same price—On combination offer including magazine add $1 for foreign postage.

THE MAGAZINE OF WALL STREET
and BUSINESS ANALYST

Member of Audit Bureau of Circulations

Volume 64 No. 4 — June 3, 1939

The Ticker Publishing Company is affiliated by common ownership with the Investment Management Service and with no other organization. It publishes only The Magazine of Wall Street and Business Analyst, issued bi-weekly; Adjustable Stock ratings, issued monthly; and The Investment and Business Forecast, issued weekly. Neither the Ticker Publishing Company nor any affiliated service or publication has anything for sale but information and advice. No securities or funds are handled under any circumstances for any client or subscriber.

CONTENTS

Copyright, 1939, by the Ticker Publishing Co., Inc., 90 Broad St., New York, N. Y.

C. G. Wyckoff, President and Treasurer. E. Kenneth Burger, Vice-President and Managing Editor. Ralph J. Schoonmaker, Secretary. The information herein is obtained from reliable sources and while not guaranteed we believe it to be accurate. Single copies on newsstands in U. S. and Canada, 35 cents, special numbers, 50 cents. Place a standing order with your newsdealer and he will secure copies regularly. Entered as second-class matter January 30, 1915 at P. O., New York, N. Y., Act of March 3, 1879. Published every other Saturday.

SUBSCRIPTION PRICE—$7.50 a year in advance in the United States and its possessions, Canada and Pan-America. Foreign $8.50. Please send International Money Order or United States Currency.

TO CHANGE ADDRESS—Write us your name and old address in full, new address in full and get notice to us three weeks before you desire magazine sent to the new address.

EUROPEAN REPRESENTATIVES — International News Co., Ltd., Breams Bldg., London, E. C. 4, England.

Cable Address—Tickerpub.

With The Editors

Obsolete Reports

TOWARDS the end of May and early June each year, by which time we are invariably ear-deep in current worries and hopes, we become aware of certain bits of anachronism floating into the office. Gently, diffidently there appear statements of important enterprises, interesting bits of history but obsolete for most practical purposes. They disclose that such and such companies had profits amounting to so much—*for the year ended December 31, 1938.* The leisurely pace has its charm, but it has its confusing side too as we rip our thoughts away from mid-1939 and go back to contemplate the happenings of twelve or seventeen months ago.

Now there are certain good reasons why some companies must delay their reports to stockholders longer than others, and latitude must be allowed those which can justify their delays. As a general thing, though, altogether too much leniency is shown in this matter of transmitting vital information to the owners of the business while it still has some pertinence. The two biggest defects a piece of information can possess are, first, inaccuracy, and second, tardiness. In many cases reports in half the detail with half the delay would be far more in the public interest.

Rather than single a culprit in this respect from the many candidates available, it is more constructive to note an example of how well the problem can be handled. General Motors is one of the largest and one of the most widely scattered enterprises in the world. It must keep accounts in pesos and zlotys and dollars; its subsidiaries run well into the hundreds. Yet on February 7 of this year, less than six weeks after book-closing, the company issued a preliminary report for 1938 after all adjustments but subject to final audit, which did not affect the year's results. On April 25 the report for the first quarter was published. If General Motors can do this there must be very few corporations in the country which cannot at least equal its promptness and its consideration of stockholders.

The S E C and the stock exchanges of the nation have a responsibility here which they have not yet put in the position of importance it deserves. Eventually they will get around to it, but meanwhile every investor should be aware of his rights to corporate information and should insist that it come to him before its meaning has been obliterated by age.

---

* * * IN THE NEXT ISSUE * * *

Present and Future Leaders in Retail Trade

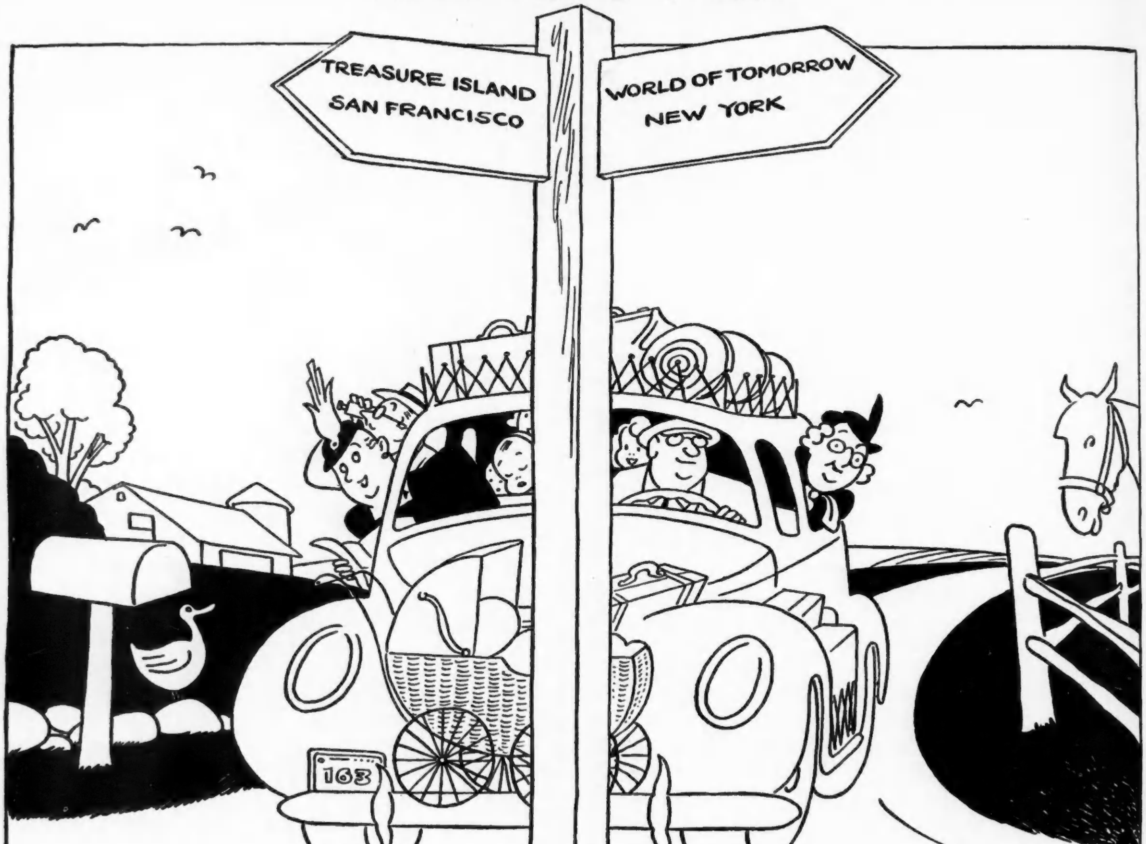
By GEORGE L. MERTON

What Will Revive These Laggard Industries?

Steel **Oil** **Copper**

By WARD GATES

EITHER WAY
TELEPHONE FIRST



LONG DISTANCE WILL MAKE YOUR TRIP MORE PLEASANT

WHAT if Mother did forget to turn off the water heater? A Long Distance call to neighbors will take care of *that!*

Maybe that deal of yours *will* come up while you're away. An occasional call to the office will keep you posted.

When Aunt Minnie suggests a side-trip to see those nice folks she met last year at Ragweed Manor, telephone *first*—make sure they're home.

If Sally gets homesick for her boy friend, let her try Long Distance. Fact is, the whole family will be glad to have some home-town news now and then.

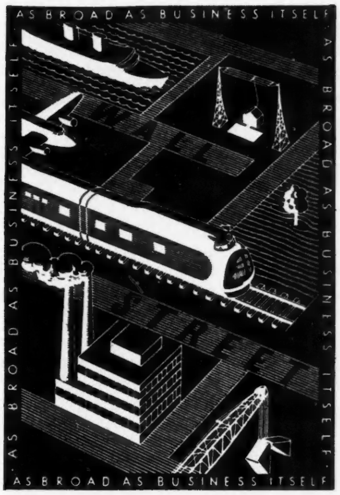
Above all, as you travel, telephone ahead for hotel reservations. It's no fun hunting for rooms in a strange town when you're tired and hungry.

In dozens of different ways, Long Distance telephone service can contribute pleasure and peace-of-mind to your vacation—inexpensively. For rates to out-of-town points, consult your telephone directory or ask the operator.

THE BELL SYSTEM CORDIALLY INVITES YOU TO VISIT ITS EXHIBITS AT THE NEW YORK WORLD'S FAIR AND THE GOLDEN GATE INTERNATIONAL EXPOSITION, SAN FRANCISCO

THE MAGAZINE OF WALL STREET

E. Kenneth Burger, *Managing Editor* : C. G. Wyckoff, *Publisher* : Laurence Stern, *Associate Editor*



Questions of the Day

What's become of that "monopoly" and "price rigidity" in the steel industry that the politicos have been shouting about these many years?

It has gone with the wind—if it ever existed, which it didn't. The biggest giant in the field has for some time had a smaller percentage of the market than when it started nearly forty years ago. Competition has become steadily more intense in recent years as a result of greatly increased sheet-rolling capacity of new mills and the change in the basing point price system initiated by United States Steel. Unless prices for light steels can be stabilized, the industry is threatened with "profitless prosperity" regardless of favorable sales outlook.

Will Congress stand for a third round of New Deal spending-lending despite the fact that previous heavy doses of the identical medicine have failed to cure the country's economic trouble?

With adjournment of Congress tentatively scheduled for mid-July, it is to be doubted that the Administration will seek authorization for a third pump priming program at this session. Present "emergency" appropriations will last until late in the year. Meanwhile the build-up for a 1940 "Government investment" program will continue and authorization will undoubtedly be sought early in the next session of Congress. The scheme is to divorce the next pump priming splurge from the budget and the direct Government debt, thus making it politically palatable. In our opinion, Congress will adopt some such program. New Deal Democrats and anti-New Deal Democrats are on pretty much the same spot when election time comes around, public funds constitute their Party's best vote getter and it has no effective alternate policy. However temporary, a further Government-bought recovery is on the cards for 1940.

Will the scheduled Federal tax revision plan actually help business?

It is a start in the right direction, psychologically helpful, but it does not go far enough. The plan calls for two separate bills. One contains the "four point" changes in corporation taxes recently outlined by Senator Harrison and will undoubtedly be adopted. It will be psychologically helpful to business but not dynamically so. The second bill links reduction in the personal income surtax rates in the upper brackets with prohibition of future issuance of tax-exempt securities by any governmental units. The latter measure is so controversial that the second bill is unlikely to be adopted. No revision of the capital gains tax is scheduled. Hence, modest encouragement is to be given to corporate investment and no encouragement to individual investment. For a more detailed discussion turn to page 168.

Business, Financial *and* Investment Counselors · 1907 — *"Over Thirty-One Years of Service"* — 1939

Are we seeing the start of a real show-down between the motor industry and the labor unions?

We doubt it, although it is possible that the present limited strike at Detroit will spread; or the occasion of expiring two-year contracts in other companies may be seized for heavier demands under threat of strike. As far as the motor industry is concerned, however, dealers are adequately stocked and with the production run on 1939 models nearing its end, the key company involved in the present dispute is in a position to take a firm stand. From a tactical standpoint, the Briggs strike was poorly timed but the hand of the union apparently was forced both by internal labor politics and a contract expiration.

The Trend of Events

FUNNY FINANCE . . . In Italy the Minister of Finance last week advanced a novel fiscal theory in presenting a portion of his budget—the bulk being kept secret—to the yes-men Chamber of Fasces and Corporations. "Il Duce", said he, "has taught the Italians to consider it normal to their existence to live dangerously and uncomfortably. Such a norm goes likewise for Italian finance, whose road in this, as in future years, appears obstructed with difficulties and strewn with obstacles that will not be easily overcome."

Funny finance is not confined to Italy, nor to Germany. In this country we are so rich that the Government spends twice its income every year, and this must be normal because it has been going on for six years. The leaders who are thus guiding us to prosperity are "conservatives" who would not think of gambling with the welfare of the people or with the people's property. Those who would balance the budget are "radicals" and "gamblers."

Some enterprising publisher ought to get out a modern financial dictionary. Old terminology is outworn and meaningless!

RAIL HELP BEGUN . . . The Senate has passed the Wheeler-Truman bill on uniform regulation of all carriers, water and rail alike, by a vote of 70 to 6. Much nearer approach to unanimity could hardly have been managed, but such majorities do not always mean what they seem to, and the House has still to tackle the legislation. The fact that the most important unit in the plan for helping the railroads has at last been started on its way is nevertheless a cheering item. Many of the bumps it rolls over will be smoothed for the probable next comer—a bill to facilitate reorganization of roads close to the solvency border.

The Wheeler-Truman bill may finally emerge from Congress as an entirely different piece of legislation, but as passed by the Senate it provides: ICC control over water carriers; two revisions of rate-making rules, allowing a more practical approach to through tariffs and to competitive conditions; scrapping of the unused merger plans of the last decade, new ones to be voluntary and considered on their individual merits; inquiries into certain rates and transportation problems; ICC jurisdiction over security issues of all carriers. The key point for the rails is the subjection of their waterways competitors to the same control under which they work. If this can stand against a solid opposition the victory will be notable.

On a more important front the railroads have continued to extend their gains. Carloadings in the third week of May, aided by resumption of soft coal shipments, set a new record for 1939. A slightly more realistic attitude toward the labor problems of the railroads is also becoming evident, and there is a good chance that "featherbedding" or carrying unnecessary employees on the payroll willy-nilly may have reached and passed its limits. Traffic increases and cost reductions constitute the real hope of the roads, though the willingness of the administration to help in other ways will certainly be no liability.

SPENDING WHERE IT COUNTS . . . Gains in retail trade over this time a year ago have shown wide fluctuations in recent weeks, due to the changes in certain annual shoppng periods and apparently to shifts in the weather. Latest returns, though, clinch the case for the uptrend with department store sales in mid-May weeks up 22 per cent and 7 per cent over the same periods in 1938. Sears, Roebuck's increase of 28 per cent for the four weeks ended April 21 was phenomenally good.

When consumer spending is seen in action this way it has a great deal more meaning than when stated as a theory of the consequences of Government spending. These figures are actual rings on the cash register and with the highly satisfactory profit margins prevailing in most retail lines they will soon be actual profits and dividends. They are without doubt the strongest sustaining factor in the present business situation. Comparisons with 1938 will soon become more testing as the strong revival months of last year become criteria, but the encouragement now being given is not likely to be quickly withdrawn. Retail trade has held up through the war scares, through changes in the political outlook, through a serious strike and other threats to business confidence. Its gains are obviously based on fundamentals, one of which is the flow of Government money into consumers' hands. Since according to estimates this flow will tend to increase over the next few months at least, merchants are practically assured a good year. Perhaps once again retail trade with its consumption of

BUSINESS, FINANCIAL and INVESTMENT COUNSELORS · 1907 — *"Over Thirty-One Years of Service"* — 1939

raw materials and manufactured goods is to bolster up the lagging heavy industries as it often has in the past.

POWER POLICY UNCHANGED . . . President Roosevelt's enthusiasm for "yardstick" public power developments is undiminished—and proposed power projects on which he has thus far met frustration apparently have more lives than a cat. In a recent press conference he took occasion to comment that the annual report of the New York State Power Authority was worthy of study and represented another step forward in the solution of the general power problem.

What was the gist of the report? Answer: a comparison of rates in New York State with those in the T V A area; a suggested program of "potential competition" with private utilities in order to bring rates down to T V A levels; an assertion that more public power projects were needed for national defense; and repetition of all the old arguments for the St. Lawrence waterway scheme.

In power policy the New Deal may shift now and then with the winds but its objective is always the same. This is one reason for the continuing low level of private investment activity. As they regard the political scene, the utilities' hopes must center in Congress for the present and, further ahead, in the 1940 election.

BRITAIN BANS AMERICAN SHARES . . . In an endeavor to diminish the export of capital at a time when it needs every pound for armaments, the British government has frowned on the purchase of American shares by her nationals. In this action, the authorities have the co-operation of the London Stock Exchange and the Bank of England, and it is to be expected that considerable shrinkage in the volume of trading in London among such foreign favorites as Steel, Chrysler, General Motors, Radio, Nickel and New York Central will take place. On the other hand, the listing of more American issues in Zurich and other continental exchanges, may prove something of an offset. Whether it does or not, however, will make little difference to our market at home. It is true that the daily trend of London market has occasionally exerted an influence on prices here, particularly in recent months, but except when war fears are dominant, domestic considerations are naturally the real determinants of the cource of our prices. The principal effect of the check on British trading will not be marketwise, but will doubtless manifest itself in a decrease in the gold flow into this country and perhaps in a priming in the pound sufficient to benefit American exporters. The present level of sterling of $4.68 tends to make British goods cheap, compared to American goods, whereas as the pound creeps up toward parity of $4.86 (it was over $5.00 a year ago) the advantage tends to swing the other way and may give our exporters a modest but much desired price advantage.

MOTOR SALES TO ARGENTINA . . . Probably the chief obstacle to increased U. S. trade with Argentina is that the latter's principal products, wheat and beef, are also produced in abundance in this country and any important volume of imports is thus out of the question. The result, of course, is that Argentina's supply of dollar exchange is limited and unless the country's gold supply is to be unduly depleted, imports of American products must be held to a volume approximating their exports to us or else some other means of payment for the excess must be used. In the case of automobiles the first of these alternatives was adopted earlier this year when the Argentine Government fixed a 1938 import quota of 35 per cent of last year's sales which totaled 36,853 cars and trucks. Recently, however, the second alternative was adopted; in return for a 70 per cent quota, a majority of American manufacturers have agreed to accept 2½ per cent Argentine Treasury dollar notes to an amount of over $7,000,000 in payment for the additional 35 per cent. General Motors and Ford are mainly affected, since these two concerns account for about four-fifths of our motor exports to Argentina. However, other producers, notably Chrysler and International Harvester, will benefit in varying degrees. Though this additional business is only a drop in the bucket for the motor industry, domestic prospects have also taken a noticeable turn for the better recently. Sales have turned sharply upward since the slump of early April and in the first three weeks of May ran about 50 per cent above a year ago; estimates of the year's output have been revised upward accordingly. The recent steel price cuts, incidentally, will mean a saving of about $5 a car on 1940 models.

EARNINGS AND BUSINESS . . . Talk of lower second quarter earnings has been overdone as is usually the case when slackening business activity accompanies a market decline. Indications are that corporate operating results are better sustained than the indexes which measure physical turnover of goods would suggest. That was the case in the first three months of the year and will probably be true in the second. It is significant that present efficiency of operations tends to lower costs and widen profit margins, and at the same time the price of raw materials is so well sustained as to preclude inventory losses.

THE MARKET PROSPECT . . . Our most recent investment advice will be found in the discussion of the prospective trend of the market on page 164. The counsel embodied in this feature should be considered in connection with all investment suggestions elsewhere in this issue. —Monday, May 29, 1939.

BUSINESS, FINANCIAL *and* INVESTMENT COUNSELORS · 1907 — *"Over Thirty-One Years of Service"* — 1939

Rally or Recovery

We believe business advance and current market recovery will prove more than a temporary rally, but to play it safe we prefer to check this opinion against further confirmatory evidence over the near term.

BY A. T. MILLER

At this writing the market has maintained an upward trend for seven weeks, the recovery movement from the April low making a new high in the pre-Memorial Day sessions to the accompaniment of sharply increased volume, considerable short covering, some evidence of betterment in the business picture and a budget of Washington news of generally bullish import.

If the present European breathing spell continues we should before long have more definite technical evidence in support of—or refutation of—this publication's opinion that the severe March-April decline was geared to the spring war scare rather than our domestic economic outlook, and that it can be interpreted as simply a reacaction in a bull market. The duration of the recovery since April 8 gives some confirmation to the bull market view, since it would be most unusual for an economic bear market to be halted for so lengthy a period in the late spring.

On the other hand, the actual scope of the rally to date is nothing to get excited about. It has not yet importantly shaken the conviction of those who have taken the position that we are in a bear market. Moreover, it still leaves "on the fence" a majority of investors and traders who probably much outnumber both the convinced bulls and the convinced bears. This group's latent demand could carry prices substantially higher should the near term technical performance prove strong enough to push such potential buyers to a decision.

Although our psychological leanings are toward the optimistic side—and are strongly supported by the fundamental monetary-credit factors—we are well aware that purely technical rallies in bear markets have often gained more ground than has been gained in the recovery from the April lows. We are also aware that certain abnormalities, especially the stimulus resulting from resumption of bituminous coal mining, cast some doubt on the longer significance of the current advance in the composite business index, even though rise in raw materials prices to the best level in more than fifteen months impresses us as tentative evidence that we are seeing something more than a nominal business rally. Finally, we know that the European factor cannot yet be entirely dismissed from the reckoning.

We are therefore content to remain a theoretical bull for the present and to take the conservative course of deferring new buying recommendations until the market has had time to reveal a bit more of its own story. Through Saturday, May 27, our broad weekly index of 316 issues had recovered approximately 47 per cent of the ground lost in the March-April decline, against 48 per cent by our daily index of forty industrials and approximately 50 per cent by the Dow-Jones industrial index. Similarly reckoned, the rally from the January low to the March high was 77 per cent in our weekly index, 78 per cent in our forty industrials and about 88 per cent in the Dow-Jones industrials. In short, it would be possible for the recent recovery to go further and still turn out to be a technical rally.

A retracing of 60 to 75 per cent of the loss in an immediately preceding phase of decline is most generally accepted as the upper range of a technical rally. On this reasoning the technically significant levels of resistance would lie within the range 104-108 in our daily industrial index and approximately 140-144 Dow-Jones.

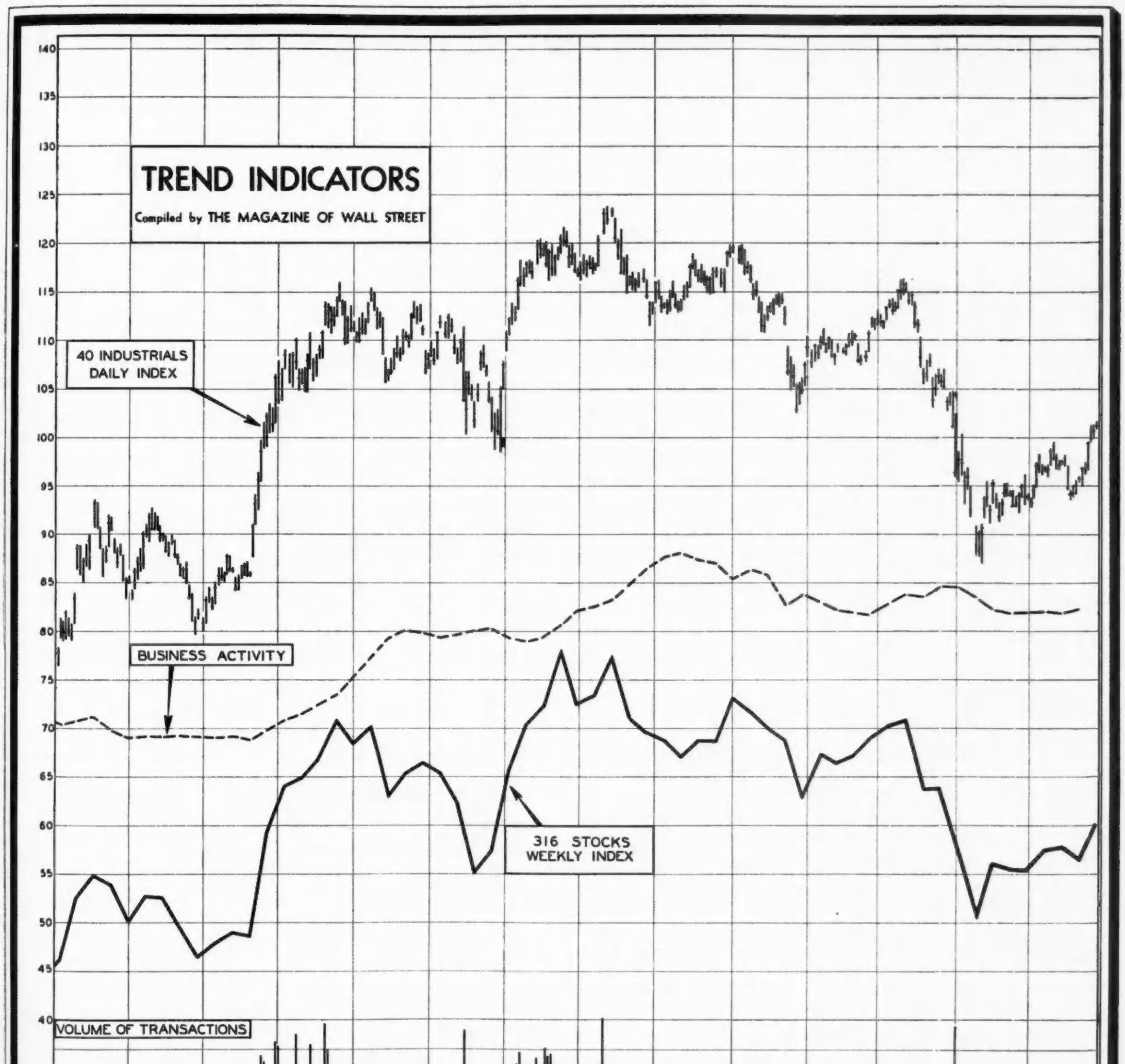
What will it take to convert the skeptics and the bears? Most potential bulls want a reaction which will cancel about one-third of the advance since April 8 and which, after revealing absence of significant liquidation, will be promptly followed by the beginnings of new advance. Assuming a top is made somewhere near the range 140-144 Dow-Jones, what they have in mind is a convenient buying point around the range 133-136. We are more than a bit skeptical that the market will serve their convenience so perfectly.

The Dow theory followers will insist, before turning around, that any reaction from the present advance must halt above the April 8 lows and must be followed by advance in both industrials and rails above whatever high will have been made on the rally from April 8. Since this theory is somewhat elastic, die-hard bears may

argue that it will not be a sure bull market until we have topped the highs made in the autumn of last year!

What probably would annoy or double-cross the biggest number of people would be a quiet summer advance, interrupted only by minor technical reactions—such as we have usually had in the second and third quarters, or over a goodly portion of this six-month period, in past bull market years; and such as we have usually had from a June low to a late August or September rally high even in bear market years. For the present we'll put this down as a possibility, not without poetic justice in more ways than one.

The business index is distorted for the moment on the up side by the favorable aftermath of the bituminous coal strike and on the down side by the bottle neck strike at Detroit which has sharply curtailed motor output. Of more than transient significance are the following: Favorable level of retail trade, including automobiles and other consumers' durable goods; rise in car loadings other than coal; rise in steel production; largest stimulus from construction in a decade; firm or rising commodity prices. Add to this: prospective tax revision; lavish New Deal pump-priming expenditures in the months just ahead; and the looming outlines of the third pump-priming program now being planned to follow the present one. Maybe this is less than complete evidence that a new phase of the bull market is in the wind but it begins to look that way to us. —Monday, May 29.



Hope for European peace is growing, consumer demand is well maintained, inventories are moderate, commodity prices are generally firm, Federal pump priming expenditures are rising.

Business Reaction Ending? New Rise in Prospect?

BY WARD GATES

THE slow business decline that began last December has made a bottom within the past week which probably will prove to have been the low point for the year—provided we escape European war or another hair-raising war scare and provided the present labor difficulties in the automobile industry do not assume serious proportions. As for Europe, there is logic in the consensus that we can dismiss war from the reckoning for a long time to come if we can get by July without explosion. Meanwhile, in almost any event, at least *some* business improvement is likely over the immediate future.

While various causes always play a part in any period of business reaction, from the present perspective it seems reasonably plain that the two *chief* causes of the set-back of the past five months were (1) over-rapid advance during the second half of last year and (2) the succession of European crises. Brief diagnosis is important since it necessarily bears directly on any rational forecast.

From June of last year to early December this publication's index of per capita business activity spurted upward by 22 per cent. Advances that proceed so fast never last very long without interruption. At the turn of the year, quite aside from the European factor, there was virtually unanimous agreement among professional business analysts that some degree of recession would be seen within the first quarter. By late February our index had moved down from the December high of 88 to 81.7. This decline of 6.3 points, following preceding advance of 20.3 points, would not have been exceptional even had we been wholly free from European influences and even had everybody been delighted with the course of events at Washington.

Now as we measure business activity—our adjusted index being less sensitive than various others but conforming closely over any considerable period with the picture revealed by the monthly Federal Reserve Board index—the striking fact is that the ten-week decline from mid-December to the close of February accounted for virtually all of the reaction we have had. The February low of 81.7 was not broken until the week of April 22 and then only by fractional dip to 81.6. The protracted bituminous coal strike did that.

In other words the net effect of the spring war threat, the severe March-April stock market decline, the grumbling over the paucity of constructive achievement at Washington and the stoppage of the main source of our fuel was a minute addition to the moderate business decline that had already been seen and that few were worried about. The restraining influences, with European alarms uppermost, reflected themselves in March, April and May not in significant business decline, but in preventing the Spring resumption of the recovery movement that had been expected.

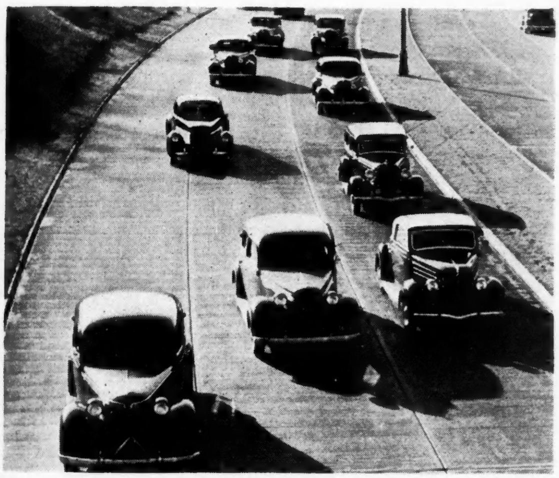
We are talking here in terms of a business index accurately adjusted both for population growth and seasonal influences. All of the widely-published business indexes, to which business and investment hopes and

Triangle Photo

fears are more or less geared, are seasonally adjusted. The actual volume of business thus far this year has been above the average of the fourth quarter of last year, but the gain has been less than seasonally normal, thus lowering all properly adjusted indexes. In any estimate of the business outlook from here through the summer both seasonal factors and certain abnormalities must be kept in mind.

The normal seasonal trend in motor and steel production is down, and these two industries exercise a major influence on the swings of the composite business index. A less than seasonal decline in either raises the adjusted index while a contra-seasonal advance lifts the adjusted index sharply. Contrary examples include bituminous coal production, car loadings, electric power output and lumber shipments in all of which the near-term seasonal factor calls for advance. Hence, in these a greater than seasonal gain will be required to raise their respective adjusted indexes.

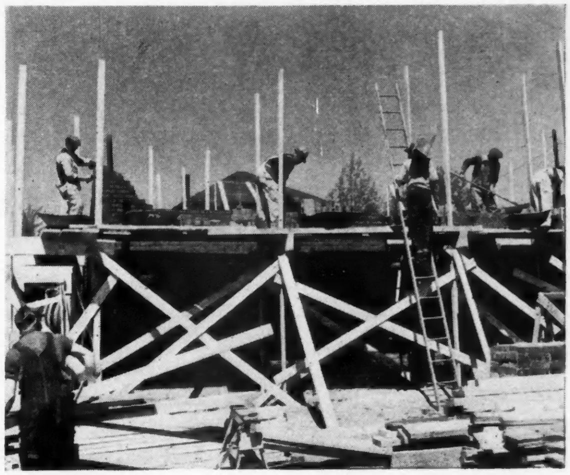
The two chief abnormalities in the picture at present are (1) the temporary boost in bituminous coal production to replenish stocks depleted by the recent protracted



Triangle Photo

strike; and (2) the bottle-neck strike against the Briggs Manufacturing Company which has closed all Chrysler plants and lowered Ford production. While the security markets seldom pay any attention to strikes—recognizing that they merely mean a deferment of production—they can not be left out of the business reckoning. Due solely to this temporary influence, motor output for the week in which this analysis is written will show a much greater than seasonal decline. It is hard to believe this strike will spread or prove of long duration because—from the viewpoint of the workers—its timing is foolish in that dealers are well stocked with cars and the industry is fast nearing the end of its run on 1939 models. Should it last a period of weeks, however, it would moderate the expected rebound in the composite business index and should it spread it might defer any business rise until a later period.

On the other side of the picture, active bituminous coal production, the favorable level of construction and satisfactory volume of wholesale and retail trade point to greater than seasonal gains in car loadings, lumber



Triangle Photo

shipments and check payments. Moreover, the recent cut in steel prices brought in a wave of orders which has lifted the industry's operating rate sharply in contra-seasonal gain and unless labor trouble at Detroit necessitates a temporary dip in steel output orders now on hand are large enough to justify conviction that the bottom in steel activity has been put behind for some time to come.

At this writing the stock market has produced the strongest and most active upturn in some weeks—and the stock market is a business factor as well as a business barometer. Business men talk much about the President and the New Deal's errors of commission and omission, but the trend of the stock market shapes their sentiment and their confidence more greatly than any other single influence. If the market's near-term action gives further support to the growing belief that the low of reaction was seen in April, this in itself will be accepted as augury of better business ahead.

The more sensitive commodity price indexes—both spot and futures—have also scored one of the broadest advances in several months, although the all-inclusive wholesale price composite of the Department of Labor remains only a trifle above the lowest point reached in the protracted decline from 1937 highs.

The price rise thus far has centered chiefly in agricultural commodities. It is to be doubted that important advance in industrial raw materials or in prices of finished goods is in the offing and, for that matter, such would not be desirable. Rally in farm staples, however, and firmness in most commodity groups—with the notable exception of steel—are on the favorable side. The spread between prices of raw materials and prices of finished goods remains abnormally wide. While this is an advantage for processing industries, any narrowing of the spread would be more than compensated for in manufacturing industries by the increased business volume that would be required to bring it about.

With business showing signs of scraping bottom and with a propitious technical setting both in stock and commodity markets, there can be little doubt that reiterated emphasis on the Administration's spending- lending plans has tipped the scales away from the mixture of bearishness and extreme skepticism *(Please turn to page 205)*

Happening in Washington

BY E. K. T.

TAX REVISION IN JUNE

JUNE is tax month in Congress. A showdown can't be avoided, because half a million dollars' worth of excise taxes and the three-cent letter postage rate expire June 30 and a resolution to continue these will be the vehicle for revising other tax provisions. A large group in Congress is lying in wait for a chance at corporation tax revision, and much as the administration would like to dodge the issue it can't afford to let this needed revenue go by default. The extension bill will be delayed until the eleventh hour, but then the fight will be on in earnest.

Taxes Which Kill Business

The issue is not the total tax yield, though the President may try to make it look so and may picture himself as the defender of the budget. The issue is the removal of those tax provisions which are deterrents to capital investment and business activity and the substitution of taxes which will not dry up their sources. The President is not really in favor of taxes which deliberately kill off business, but he is *not* convinced that taxes now on the books are of that kind. He is somewhat afraid that tax revision will get out of hand and end up with a much lower revenue yield, but he is more concerned over the political aspects of revision — the fact that most of the taxes under attack were New Deal taxes based on the theory of soaking the rich and taxing for reform and for redistribution of wealth. To agree to their repeal would look like giving in to the tories, and he would lose political face if not his political shirt. So he fights revision and tries to make revision look unattractive by pointing to the burden of alternative taxes needed to maintain the present level of revenue.

But tax revision has become almost a fetish with those persons still hoping for a little business appeasement and with those members of Congress who want to show the country they don't take orders from the White House.

A revenue bill has a peculiar legislative status. It must originate in the House, and with the Ways and Means Committee, and this committee traditionally pays not the slightest attention to a revenue bill introduced by a non-member, so the rest of Congress must twiddle its thumbs until a majority of these 25 committeemen—15 Democrats and 10 Republicans—get ready to report out a bill. The Senate can't originate a tax bill—if it could we'd have had one by now—but once any kind of a measure with a tax in it gets over there the upper house can throw it all away except the title and write any kind of a bill it chooses. That's why the showdown is due before June 30 when the excise taxes expire.

Revisionists have been itching for the excise extender to come along so they could tack on their corporation tax amendments, but the Ways and Means Committee has been dallying along with social security revision to stall off—or compromise with—the Townsendites. Now the strategy appears to be to start committee hearings on general tax revision but filibuster them until the end of June when it will suddenly become evident that more study will be needed and meanwhile a resolution extending the excises will just have to be shoved through. With that out of the way Congress could do what it liked with corporation taxes and Roosevelt could veto the bill without losing any revenue. But revisionists are wise to this, and if they decide to get tough the Senate could insist on extension for only a month or two, and then Roosevelt would have to swallow an unpalatable revision as he did last year, or veto a further excise extension along with corporation tax changes—assuming that a majority of both houses approve such changes.

One Big "If"

The remnant of the undistributed corporation surplus tax together with the substitute adopted last year for the major part of that tax which was abandoned expire December 31, and this item can be used as a vehicle for revision if the excise extender wriggles through without any riders on it. Action on this conceivably could go over until January, but this would leave precious little time before returns are due March 15. Congress holds the whip hand and if it is determined to revise business taxes it can do so in connection with a bill which Roosevelt can hardly veto. That's a big if, but not too big.

Whatever Congress does about corporation tax revision, the effect will be more symbolic than real. It will be a makeshift patchwork, far from the "scientific" revenue structure Treasury experts have talked unless Congress takes months for the job and braves the polit-

ical dangers of actually reducing some taxes on the rich and is willing to forego some present revenue in expectation of higher future yields from lower rates. But removal of some deterrent taxes should be a help to business.

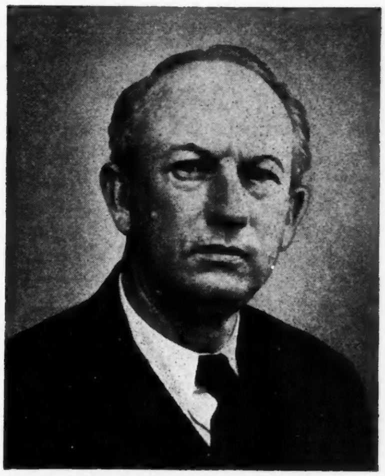
The Treasury is ready to reverse its policy of the past few years and give the taxpayer the breaks in interpretations, dropping rulings which have not been sustained on appeal but which it has cost taxpayers money to fight. It wants to simplify corporation returns and reduce the number of different taxes. It has some encouraging proposals which it is convinced will yield sufficient revenue without taking all the joy out of business life. These proposals may prove so appealing that Congress will go for them in a big way, but present prospects are for relatively minor modifications. Remnant of undistributed profits tax will be dropped, and biggest fight will be over how to readjust corporation graduated income taxes to fill this hole; but the rate won't be the 28 per cent scarecrow administration spokesmen have been waving. Capital stock and excess profits taxes will be modified to permit periodic readjustments. Corporations will be allowed to carry over net operating losses for a couple of years. Some lesser gripes may be mollified. But individual capital gains tax will not be repealed.

CAPITAL BRIEFS

New spending program or its equivalent under fancy name is being worked up in administration circles. Outlines are vague, but observers agree "something is in the wind." The New Deal must do something to make business look better during the coming 18 months. It examined but abandoned the theory that private capital will do the job if restraints are removed. Current T N E C hearings give color to the opposite theory that heavy goods industries are not the key to recovery, that more capacity to produce is not needed, that big business can finance its needs out of earnings, that there is no foreseeable outlet for private savings through private investments —in short, that capitalism is decadent and must be supplanted by "government investment."

Consumer goods stimulus is the center of New Deal economic thinking. This is not new, for the administration has always stressed it, but now the theoretical justification is changing. Instead of spending for pump-priming, or to stave off starvation during an interim, or as social justice to the underprivileged, government spending is now coming to be looked upon as the logical development in long-time economic evolution, essential in a "mature economy," necessary to keep the wheels of industry going. The theory is that the country is built up from the standpoint of ability to produce; that industry no longer has need for the creation of new capital through accumulation of private savings; that there are no outlets for an individual's savings; that savings are a withholding of consumption; and that, therefore, *individuals should not save.*

"Spend for prosperity," a phrase derisively hurled at New Dealers by critics, is being taken up by some of them in all seriousness. Their false reasoning and specious argument runs something like this: since business has no use for an individual's savings, and he can't profitably invest for his old age, he should be induced to spend more or the government will take his savings through bonds or taxes and spend it for him, taking care of him in sickness, unemployment and old age. When these theorists talk of government investment they don't mean self-liquidating ventures that pay cash dividends and amortization; they mean government putting money into circulation for the sake of having it in circulation. You may not hear it put thus bluntly, but evidences of this line of thinking have been cropping out in official utterances and will continue to do so.



Wide World Photo

Senator Pat Harrison—the leading exponent in Congress of tax revision to help business.

New program may be trotted out en bloc or piecemeal. Congress will balk unless properly "sold." But Congressmen up for re-election are a push-over for a new public works program with projects for their districts. If voted, emphasis will be on projects having some justification for national defense and local use, like superhighways, schools, parks, hospitals, airports, rather than pump-priming heavy goods. Extension of government credit to small business fits in. So does expansion of "food stamp" plan to textiles, clothing, and possibly other commodities.

Labor relations will be improved through new legislation in time but chances are not good for important modification of Wagner act this session. At hearings employers are building up good case against union organizers interfering with operations of well-run plants, but this is being offset by LaFollette hearings on oppressive labor practices. Advocates of Wagner act revision are inclined to wait till next year, hoping to get more sweeping changes than possible now. Unions are truly alarmed over anti-trust suits seeking damages for strikers interfering with interstate commerce, since if such suits are sustained it would curb sit-downs and organization strikes.

Anti-trust drive against housing industry will be widespread and take in as many aspects as possible, including municipal building codes and inspectors, real estate boards, mortgage financers, (*Please turn to page* 208)

War Preparation, Restricted Supply, Growing Demand

Business Significance of Firming Raw Material Prices

BY CYRUS G. V. WHITE

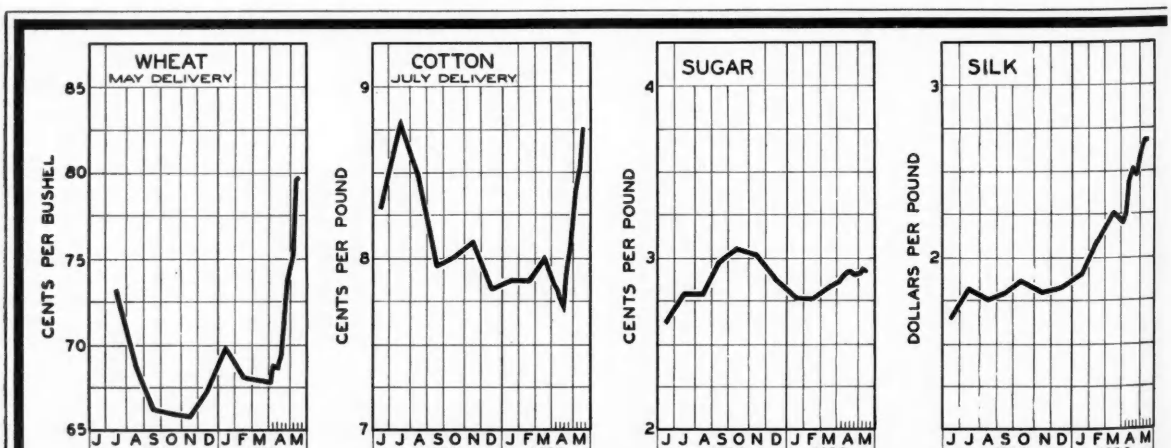
Of all the causes to which international warfare is commonly ascribed, none is more fundamental than the desire to control sources of supply of raw materials. Commodities are the wealth, comfort and security of nations; they are the means of achieving greatness and of defending a position already attained. One has only to observe the alignment of nations in the present war-threatened world—the "haves" against the "have nots"—to see that this is so. A glance at the chart on page 172 reveals the deficiencies which may precipitate conflict or make any extended warfare impossible.

It has even been suggested that the aggression of the totalitarian powers, Germany in particular, might be effectively checked, and war averted, by the combined action of great Britain and the United States in cornering the market in oils and certain metals. It is argued that the scarcity of oils (vegetable, animal and petroleum) and copper were major factors in the defeat of the Central Powers in the World War, and inability to maintain a steady flow of importation of the same materials would restrain Hitler and Il Duce today. That may be true, and there is little doubt of the ability of the democracies to control these essentials without the outlay of any vast sums. The trouble is that any such concerted action might in itself be taken as an unfriendly act and goad the dictatorships into war in sheer desperation.

This is not to say, however, that Britain alone might not informally attempt the move by exerting the tremendous influence which she has in the making of prices in those commodities which enjoy a world market and command a world price. Not only is England a huge buyer of commodities but she controls large production areas in copper, rubber, tin and other essentials. She plays a dominant role in various production restriction plans, in cartels and other price controlling devices. If she chooses she may sustain prices or even foster a rising scale in some material such as rubber, while exerting her influence to hold down the level of another in which her consumption needs are gaining—such as copper.

Whether or not such influences have been brought to bear in recent price changes of essential commodities is open to conjecture, but price changes there have been—and of a nature to suggest a rousing from the lethargy of recent months.

In the week ended May 13 only three commodities, out of the fourteen making up The Magazine of Wall Street's raw material index, were lower than a year ago and one, copper, was at the same level. Silk was up 65 per cent over last May, rubber 35 per cent, tin 29 per cent, hides 23 per cent, sugar 7 per cent, zinc 12 per cent,



cotton 9 per cent and wool 10 per cent. The index as a whole was at the best level since November. (See graph in the Business Analyst section, page 200.) True there was some slight recession in the succeeding week but the rise from mid-April to mid-May is a circumstance of more than passing interest to business and of some significance to the prospective trend of securities.

Is this quickening in raw commodities a reflection of war preparation, of reduced supply either artificially or naturally induced, or of a pickup in demand from consumers? If it can be determined to which of these influences the current strength is due or to what combination of them, if more than one is at work, we shall have a basis for evaluating the validity and the duration of the move in terms of the longer trend.

Those who hold to the war demand cause of price firmness will of course cite the spectacular rise in sugar followed by other commodities—not immediately by copper—at the outbreak of the World War; but it must be remembered that war crises have been recurrent now for a year. Accumulation of strategic materials has been under way for many months and the armament race for even longer, yet there has been no sensational rise in basic commodity levels.

Traditional Influences at Work

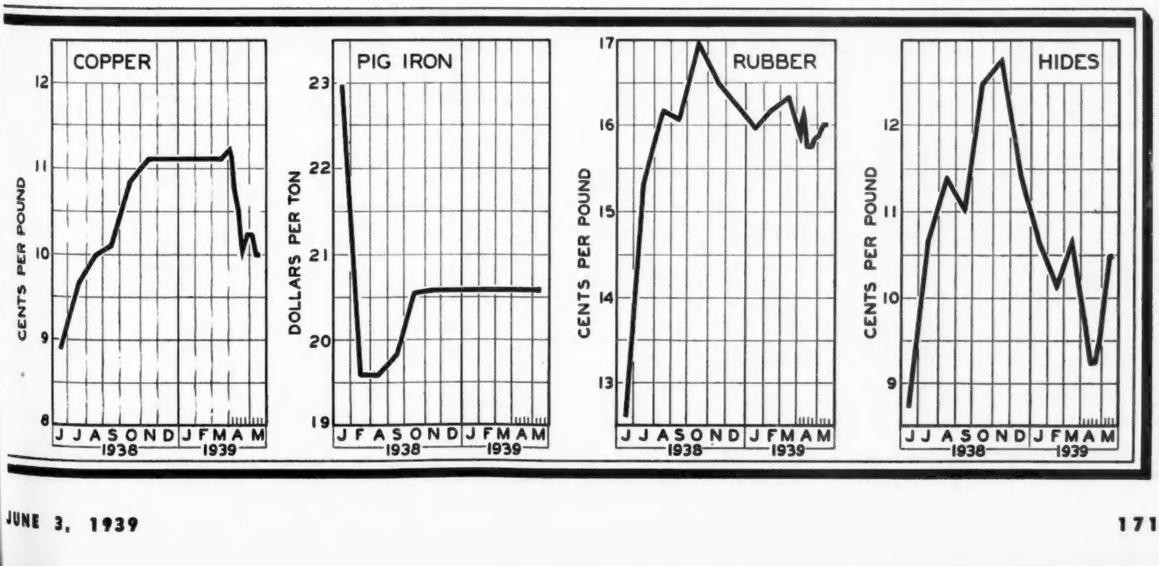
It would seem more logical to assume that recent strength has been imparted to the markets by a combination of the latter two influences—reduced supply and quickening demand. A cursory examination of the situation in several of the more active commodities will bear this out.

Silk is our best example of a rousing one-way market based almost completely upon a tight supply situation. With conditions in the Orient unsettled, to put it mildly, Japan produced less silk for export last year than in any since the middle twenties, and indications point to the possibility of even smaller shipments during the current year. Japan has been in desperate need of a high price for her silk in order to get foreign exchange with which to buy armament materials, and some consider it more than coincidence that the squeeze has developed at such a fortunate time for her. The fact is, nevertheless, that with the demand for silk rising in this country and visible stocks at New York half their size of a year ago the price of the commodity is 40 per cent higher than at the beginning of 1939. The situation is recognized as temporary and to a great extent isolated from general business conditions or war material strategy.

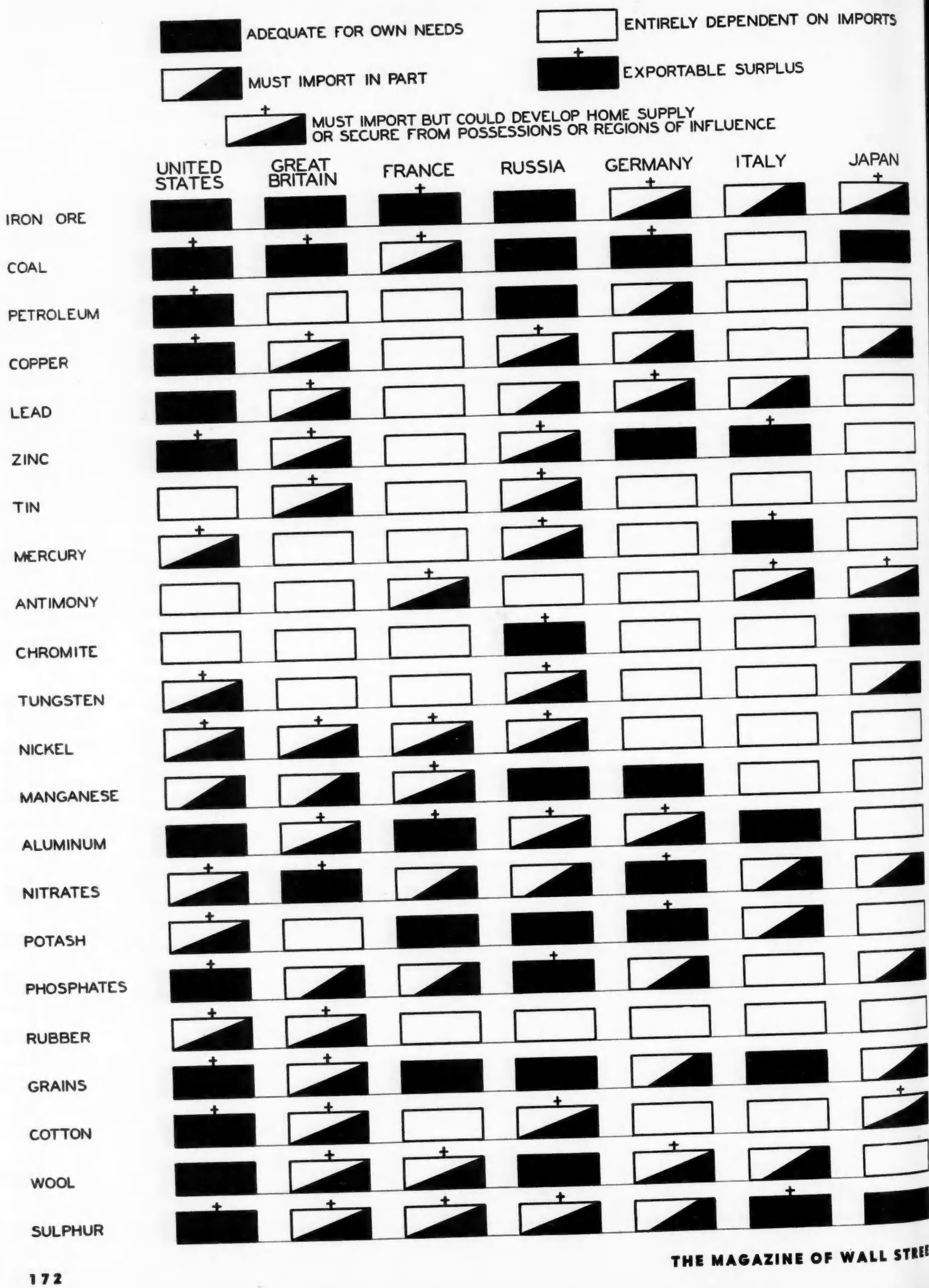
Rubber is near the opposite extreme in its importance to industry and to military plans. The International Rubber Regulation Committee has raised the export quotas of its plantation operators to 55 per cent from the 50 per cent level in effect since the first of the year. As far as immediate effects of this change are concerned, the boost in quotas should be about a standoff between the buyers and the sellers of rubber, other influences being needed to lift the price out of the trading range which has persisted since the middle of 1938. Although the raising of the quota means a slight increase in supply compared to recent months, production is nevertheless being held down to the point where a squeeze could develop if substantial changes were to occur in the demand situation.

The United States is the largest rubber consumer, most favored by a low price, most likely to run the price up with its buying if either a business boom or an inflation psychology sets in. On the other hand, because of the needs of modern warfare, by no means completely filled yet by substitutes, rubber is one of the strategic materials for all nations with a military viewpoint. The market for this single material is thus a potential theater of action for all three of the factors mentioned above—limited supply, war preparations, and rising industrial consumption. The odds, however, are greatly in favor of the last-named as the lever most likely to pry the price out of its ten-month rut.

Tin and rubber are the commodities that interest the United States most when the possibility of a shipping interruption is considered. The proposal to barter wheat and cotton with England for these two essentials is therefore aimed at giving us a certain degree of independence from the dangers of a European war, to say nothing of the desirability of cutting down the accumulated surpluses of our two major crops. That it will go through in the projected form is not yet certain, since innumerable conflicting interests, both individual and national, are at work. Removing a substantial amount of any of the four commodities from the (*Please turn to page* 203)

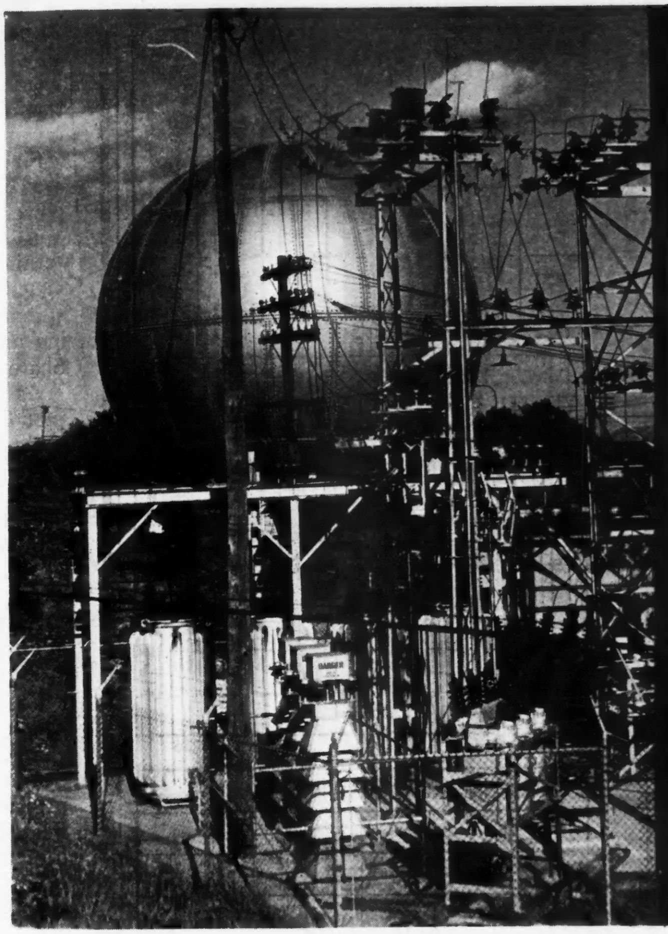


WHO HAS THE RAW MATERIALS?



Today's Rating of Public Utility Securities

BY FRANCIS C. FULLERTON



Gendreau

THE "utility problem" is a thing of paradoxes. Good bonds of various operating utilities command market prices representing yields of only a trifle over 3 per cent, a rating one would not expect to find in a sick or threatened industry. On the other hand, relatively high yields offered by common stocks of operating utilities—and by most holding company securities—serve clear notice that all is not well. It is, in fact, a mixed picture, containing some favorable elements, some definitely unfavorable elements and some highly uncertain elements.

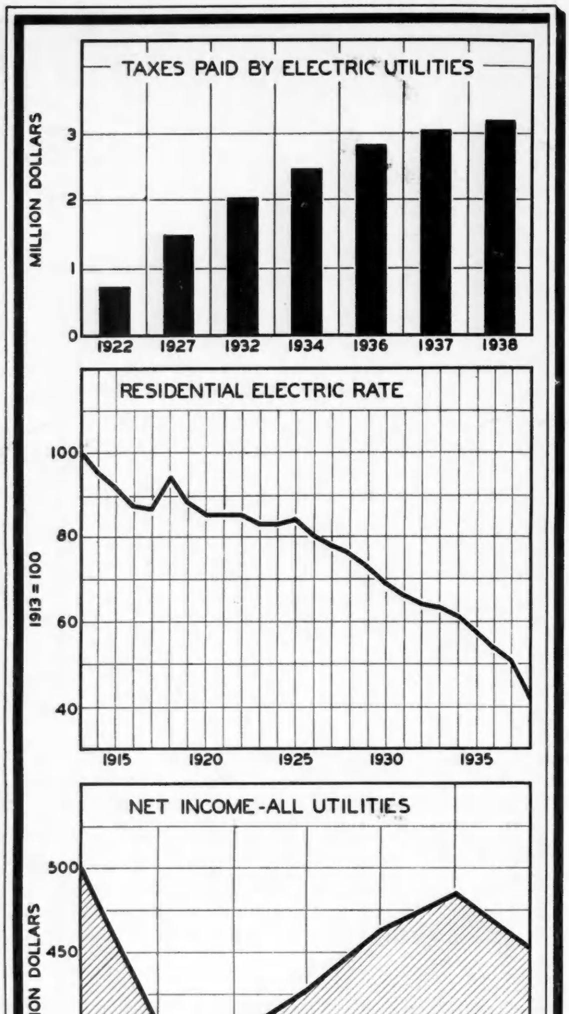
In some important respects, all relating to internal matters subject to private managerial control, the industry is stronger than ever before. Generally speaking, managements are smarter; "public relations" policies are wiser; capital structures and accounting are sounder; and physical properties are improved.

During the six years 1933-1938 the industry spent approximately $1,700,000,000 on improvement and expansion of facilities but obtained only a little more than $200,000,000 of additional capital by financing. The bulk of this capital outlay program—very substantial in a period of sub-normal economic activity but much less than average capital investment in the prosperous '20's—was financed out of depreciation reserves and surplus earnings. Hence, outstanding securities have back of them substantially increased physical assets, as compared with six years ago.

The worth of any security, however, depends far more upon the earning power obtainable from capital assets than upon such assets themselves; and right here we come to the most practical aspect of the utility problem as it concerns the investor or potential investor in utility issues. As compared with 1929, the industry has suffered a major shrinkage in earning power despite attainment of a new high in consumption of electricity. With this, of course, has come a drastic shrinkage in total dividend payments, as compared with a decade ago, a generally narrowed margin of coverage of dividends now being paid, and some reduction in the safety factor behind even many senior securities. It should be emphasized that this is of no investment significance as regards that minority of utility investments which consists of prime bonds of sound operating companies for here bond interest is amply covered under the worst conditions we have seen in recent years. It does mean, however, that utility equities, as well as bonds and preferred stocks of some utility holding companies, have been put in either a semi-speculative or speculative position—the safety margin, of course, varying widely among individual issues.

As measured by net income, the bottom of the post-1929 depression in the electric power industry was reached not in 1932 but in 1934. In the latter year earnings were approximately 64 per cent of what they had been in 1929, and the subsequent recovery through 1937 was moderate in relation to the ground lost between 1929 and 1934. Thus 1936 earnings were approximately 71 per cent of the 1929 level and 1937 earnings approximately 72 per cent of 1929. In contrast, 1937 earnings

of 200 representative manufacturing corporations were 78 per cent of 1929. This comparison is more unfavorable than the mere percentages imply, for while physical volume of sales and dollar gross of manufacturing industry in 1937 were considerably under the 1929 levels the reverse was true for utilities.



Since utility equities and holding company securities are characteristically preceded in claim on earning power by substantial totals of prior obligations, they must be recognized as "leverage" issues. A shrinkage in earning power at the top hits the bottom security with magnified impact. Extreme examples are the radically speculative equities of some of the more complex holding companies such as Cities Service, Electric Bond & Share and others.

As compared with their bottom post-1929 year, the economic conditions affecting the utilities are substantially bettered and their political status has changed quite defiintely for the better with the general turn of public sentiment away from Left-wing leadership in national policy. Yet when we appraise the position of "leverage" utility issues today in terms of straight arithmetic we can not escape the fact that (1) they suffered a major deterioration in earning power from 1929 to 1934 and that (2) the net improvement in earning power thereafter to date has been relatively modest.

The reasons why recovery in earning power has lagged behind the physical expansion in sales are few and simple:—(1) continued long-term decline in rates charged for electricity, especially in the profitable residential field; (2) continued long-term advance in the utility tax burden which, relative to gross, is now approximately 60 per cent greater than in 1929 and 35 per cent greater than in 1932; and (3) substantial increase in other operating costs, notably costs of labor, in recent years.

Psychologically, the election of a pro-business Administration and Congress next year, or growing expectation of such a development, would radically improve the utility outlook. Political change has to be translated into economic change, however, before it can be reflected in the dollars and cents of earnings, bond interest and dividends. Any major recovery of the utility industry's earning power will necessarily depend on some combination of the following factors: (1) further large increase in volume and gross revenues; (2) less rapid pace of rate reduction; (3) stabilization of operating costs, including taxes, or an improved relationship between such costs and gross revenues. Future conditions favorable to such an earnings recovery are certainly a possibility but they obviously depend on political and economic contingencies too uncertain to justify confident forecast from the present limited perspective.

A few individual examples will highlight the "squeeze" to which utilities have been subjected, and do so better than can any generalization. Consider Consolidated Gas, Electric Light & Power, of Baltimore, one of the soundest and best managed operating utilities in the country. In the most prosperous recent year, 1937, gross revenues were about 24 per cent larger than in 1929, but net income was 14 per cent lower. In 1929 net was 27 per cent of gross. In 1933, depression low in dollar earnings, net was 20 per cent of gross. In 1937 it was only 19 per cent and last year, with gross only

a trifle under 1937, the ratio dropped to about 17 per cent. Morevoer, in 1929 this company paid out 56 per cent of net income in preferred and common dividends, whereas in 1937 it required 81 per cent of net income to cover the dividends paid, and in 1938 is required 90 per cent.

Detroit Edison's net in ratio to gross was 14 per cent last year, 16 per cent in 1937 and 24 per cent in 1929. Dividends amounted to 91 per cent of net last year, 97 per cent in 1937 and 63 per cent in 1929. Consolidated Edison, of New York, shows reduction of more than one-half in ratio of net to gross since 1929.

In 1929 net of American Gas & Electric, one of the soundest holding companies, was approximately 29 per cent of gross; in the bottom year, 1934, it was 15 per cent; in 1937, 18 per cent; and last year, 16.8 per cent. The corresponding ratios for North American are: 1929, 19 per cent; 1934, 10 per cent; 1937, 15 per cent; and 1938, 13 per cent.

As compared with former standards, some of the best utilities are now distributing an abnormally high proportion of earnings in dividends. This necessarily implies some doubt in many instances as to maintenance of present rates on utility common stocks should general business activity prove disappointing over any considerable period. On the other hand, the industry's financial position is generally healthy, the better companies are proud of their long dividend records—many having maintained dividends through our last three depressions—and with hope in the longer range political outlook rising the tendency will be toward dividend generosity as far as possible. If general business is even fairly good for the rest of this year the great majority of present dividends will be maintained. Should belts have to be really tightened, dividend reductions of at least moderate proportions might be in order here and there—still leaving relatively high yields as compared with good industrials.

No summary of the investment status of the industry would be complete without brief reference to the Federal power program as a competitive factor and to the possibility of war and inflation of operating costs as a contingency to be kept in mind. As presently scheduled, by 1944 the Government will have spent or loaned approximately $2,000,000,000 for development of public power projects. There are some fifty of these hydro-electric projects, ranging from small to very large and scattered through nearly half the states of the country. Their completed capacity will approximate 30 per cent of present private utility capacity. Hence this program constitutes actually or potentially a very serious competitive threat in some areas mainly outside the industrialized East and Middle West.

The most important question is how this public power will be distributed and on what terms. Under a pro-capitalist government it would be distributed through existing private systems, without competitive duplication of facilities, at rates sufficiently devoid of "yardstick" hocum to permit efficient private systems to survive—but whether we are heading from the New Deal toward a fair deal for the utilities is premature conjecture right now.

A war-created commodity price inflation would be detrimental to the utilities but not as much as is commonly supposed. The major material upon which the utilities are dependent is bituminous coal, which is in plentiful supply and the price of which would be readily subject to Government control under war conditions. As regards war inflation of other costs, including taxes and wages, the industry would be little, if any, worse off than some others. Because of greatly enlarged sources of commodity supplies during the past generation, a war would have to last longer or be proportionately more destructive than the World War to raise the price level as much as it was raised from 1915 to 1919—and utilities came through that period without disaster.

Despite political propaganda to the contrary, there appears to be no general need for a major expansion of utility facilities whether considered in relation to probable normal consumption needs or the national defense program. There are exceptions, of course, since surplus capacity varies considerably among individual systems. The industry as a whole can easily handle a load of at least 2,700,000,000 kilowatt hours a week, which compares with a present output around 2,170,000,000 and all-time high of 2,360,000,000 last December.

Regardless of the ups and downs of the stock market, the great bulk of utility securities remain stored away for investment year in and year out, as do other securities. Considering what the industry has come through over the past ten years, it would seem late in the day to lose heart. There is a basis for believing that the worst of its political troubles have been seen and for hoping that better economic conditions are not far beyond horizon. It will probably set a new all-time high in volume before this year is out.

Management and Miscellaneous Holding and Investment Companies

Company	Total Assets (millions)	Funded Debt	Preferred Shares	Common Shares	Earned Per Share Common 1937	Earned Per Share Common 1938	Common Dividend	Recent Price	COMMENT
American Cities Power & Light	30.1	None	144,272—$3 Class A 127,165—$2.75 Class A	2,901,972 Class B	0.26	0.04	None	30 Cl. A	Net asset value 12/31/38 equal to $65.15 for preferreds and $1.07 for common.
American Superpower	32.1	None	173,038—$6 1st Pfd 235,207—$6 Preference	8,293,005	5.06 1st Pfd	3.52 1st Pfd	None	15⅜ Pfd	Securities held on 12/31/38 were carried on $30,880,335 and had a market value of $24,703,651.
Central States Elec.	35.9	27.7	68,800—7% 94,840—6% 15,313—Conv. 31,661 Conv.	10,105,023	Nil	Nil	None	3 6% Pfd	Net investment loss totaled $1,425,515 in '38. Net assets equal to $581.29 per debenture.
Electric Bond & Share	555.8	None	300,000—$5 1,155,655—$6	5,267,147	0.42	0.18	None	8½	Based on market value of securities held, equity for common stock was $17.64 a share as of Mar. 31, '39, vs. $13.06 Mar. 31, '38.
United Corp.	157.0	None	2,433,713—$3	14,527,491	0.22	0.07	None	2½	Company will invest $8,000,000, with S.E.C. approval in industrial securities. Pfd arrears cut to $1.25 a share.

PAST, CURRENT AND PROSPECTIVE POSITION

All figures are for the calendar

Company	Plant—Book Value (millions)	Funded Debt (millions)	Common Stock (shares)	Gross Operating Revenues (millions)	Ratio Com. Stock Earnings to Gross	Derivation of Gross Revenue: Elec. %	Gas %	Rwy. and Ice %	Water, H't. Telephone %
American & Foreign Power	$698.5	$76.4	2,073,738	$59.8	d	84	2	12	2
American Gas & Electric	422.6(1)	178.2	4,482,737	72.5	14.0%	99	....	....	1% heating
American Light & Traction	169.1	76.8	2,765,051	40.2	10.1%	15	72	4	9% coke
American Power & Light	754.8	355.1	3,008,511	96.9	d	85	8	7	....
American Waterworks & Electric	354.9	191.1	2,343,105	50.0	1.7%	67	2	7	24% water
Boston Edison	172.7	53.0	617,161	32.9	15.1%	97	....	....	3
Brooklyn Union Gas	100.6	49.0	745,364	22.5	7.5%	100	....	....	....
Columbia Gas & Electric	572.0	182.1	12,223,256	93.6	4.0%	28	67	5	....
Commonwealth & Southern	1,079.9(1)	528.9	33,673,328	146.0	1.8%	80	8	10	2
Commonwealth Edison (Chicago)	647.3	418.4	9,105,791(2)	139.5	14.1%	89	11	....	....
Consolidated Gas El. Lt. & Power (Baltimore)	140.6	67.2	1,167,397	34.6	13.8%	74	26	....	....
Consolidated Edison (New York)	1,226.0	485.1	11,471,527	240.9	9.9%	70	25	....	5 misc.
Detroit Edison	319.1	141.8	1,272,260	54.8	14.2%	96	....	....	4 misc.
Electric Power & Light	659.7	276.0	3,433,189	104.2	d	46	31	10	13 misc.
Engineers Public Service	328.6	157.7	1,909,968	52.7	2.9%	77	3	16	11 steam
Federal Light & Traction	44.2(7)	18.5(7)	524,903	9.4(8)	11.0%	71	20	5	4
International Hydro-Electric	524.0	271.1	40,000,000 par 5 cents	61.2	0.8% pfd.	86	7	....	7 water
Louisville Gas & Electric (Del.)	74.2	29.0	901,323	10.9	10.9%	75	25	....	....
National Power & Light	507.8	257.0	5,456,117	84.7	8.0%	85	7	7	1
Niagara Hudson Power	537.5	228.3	9,581,034	82.4	5.0%	85	15	....	....
North American	697.9	341.2	8,574,136	116.6	11.3%	81	4	8	7
Pacific Gas & Electric	703.4	289.6	6,261,270	101.4	15.3%	70	29	....	1 misc.
Pacific Lighting	195.6	46.0	1,608,631	45.5	14.8%	100	....	....	....
Peoples Gas, Light & Coke (Chicago)	154.8	76.0	656,112	41.4	3.9%	100	....	....	....
Public Service of N. J.	628.3	190.7	5,503,193	126.8	10.1%	55	23	22	....
Southern California Edison	354.3	154.6	3,182,205	43.4	15.4%	95	....	....	5 misc.
Standard Gas & Electric	660.7	355.3	2,162,607	88.3	d	NF	NF	NF	NF
United Gas	272.6	38.3	7,818,959	40.8	d	65	oil, gasoline & sulphur 35		
United Gas Improvement	625.4	257.3	23,252,010	107.2	21.4%	77	16	3	4
United Light & Power	438.0	269.6	2,421,853 Class A	92.5	d	47	40	6	7

OF LEADING PUBLIC UTILITY COMPANIES

year 1937 unless otherwise noted.

Ratio of Maint. & Deprec. to Gross	Ratio of Maint. & Deprec. to Plant Value	Common Stock Earnings 1937	Common Stock Earnings 1938	Common Stock Earnings Latest 1939	Common Dividend	Recent Price of Common	COMMENT
9.2	0.8	7.10 on 1st Pfd	6.83 on 1st Pfd	6.88(3) 1st Pfd	None	2½	Current outlook favored by improvement in status of Brazilian subsidiary and recovery in Shanghai unit.
14.7	NF	2.56	2.23	2.36(3)	1.60	35	Heavy industrial load makes gross and net sensitive to business trend. Current earnings up 20%.
12.3	3.0	1.75	1.47	1.54(3)	1.20	15	Current prospects augur favorably for moderate earnings gain. Industrial activity important.
10.0	1.3	0.03	d0.08	d0.12(4)	None	4½	Several subsidiaries threatened by Gov't competition. Has filed integration plan.
17.1	2.4	1.14	0.38	0.48(3)	None	10	Substantially dependent on industrial demand. Operating economies aiding current net.
20.6	4.1	8.72	8.38	8.84(3)	8.00	145	Earnings dependable and current results should reflect moderate gains and freedom from storm damage.
5.09	1.1	2.57	2.25	2.78(3)	None	24	Current earnings record good gain. Petitioning for higher rates. May undertake refunding operation.
10.7	1.7	0.57	0.31	0.39(3)	None	6	Current earnings responding to increased industrial activity in territory served. Has taken steps to meet requirements of public utility act.
11.1	1.5	0.18	0.08	0.14(9)	None	1½	Confirmation still pending for sales of Tenn. Elec. properties to T. V. A. Late earnings showing improved trend.
12.1	2.6	1.91	2.06	2.30(3)	1.60	28	Huge refunding program will result in substantial savings and ultimately effect a more balanced capital structure. Outlook good.
9.6	2.3	4.63	4.06	4.17(3)	3.60	76	Company's earnings featured by comparative stability. Moderate gains likely this year.
7.2	1.5	1.99	2.11	2.07(3)	2.00	31	Current gross registering substantial gains, but sharp increase in depreciation allowances cut net.
13.1	2.2	7.82	6.16	7.21(3)	6.00	116	Earnings fluctuate with automotive activity. Current prospects favor important earnings gains.
15.4	2.4	1.17	d0.30	d0.23(4)	None	8	Late earnings show an improving trend. Company's integration plans call for concentration in Southwest.
10.8	1.7	0.76	0.81	1.20(3)	None	9	Earnings thus far this year are sharply higher than a year ago. Integration plans will eliminate unprofitable units.
12.0	2.6	1.98(8)	2.26(8)	2.28(3)	None	15	Company's outlook under Public Utility Act not definite. Faces large maturity in 1942.
15.5	1.8	2.02 Cl. A	0.04 Cl. A	0.31(3) Cl. A	None	5 Cl. A	Current prospects augur favorably for good gain in gross. Earnings, however, may not be much in excess of bond interest.
16.3	2.4	1.96 Cl. A	1.99 Cl. A	2.01(6)	1.50 Cl. A	18 Cl. A	Possibility exists that company, as an intermediate holding unit, may ultimately be liquidated in conformance with public utility act.
8.7	1.4	1.37	1.28	1.18(3)	0.60	8	Sale of two major properties will restrict current earnings. Funds will be used to retire debentures.
7.0	0.3	0.84	0.50	0.53(3)	None	7	Current earnings moderately better. Not subject to Public Utility Act. Divs. on common may be raised.
19.2	3.2	1.95	1.55	1.61(3)	1.20	22	Intermediate holding company eliminated. Earnings sensitive to industrial activity. Shares have substantial equity.
14.2	2.0	2.71	2.48	2.53(3)	2.00	30	Current earnings show slowly rising tendency. Present dividend considered secure.
5.6	0.3	4.10	4.18	4.79(3)	3.00	47	Good gains being scored in current earnings. Company may pay an extra dividend.
7.4	1.9	3.65	2.48	2.95(3)	1.50*	35	First quarter earnings equal to $1.53 a share vs. $1.05 a year ago. Has obtained a rehearing on application for increased rates.
16.5	3.3	2.67	2.34	2.55(3)	2.40	38	First quarter earnings equal to 77 cents a share for common vs. 57 cents a year ago. Will acquire Jersey Central Power & Light.
14.5	1.8	2.20	2.12	2.18(3)	1.75	26	Earned 43 cents for common stock in 1st quarter vs. 35 cents year ago. Prospects favor steady growth.
19.9	2.6	9.27 Prior Pfd	2.95	NF	None	3	Complex holding unit. Company may experience difficulty in conforming to Public Utility Act.
21.8	3.2	0.25	d0.51	d0.05(4)	None	2	Would be aided by improved industrial activities. Heavy arrears on preferreds place common in decidedly subordinate position.
14.0	2.4	1.09	0.99	1.00(3)	1.00	13	Official reports indicate dividends to be reasonably assured. First quarter showed 28 cents for common vs. 27 cents last year.
15.1	3.2	0.45	d0.15	d0.11(3)	None	2 Cl. A	Company reported to be planning recapitalization. Gradual improvement in current earnings likely.

(1)—As of December 31, 1938. (2)—As of Mar. 31, 1939. (3)—12 months ending Mar. 31. (4)—12 months ending Feb. 28. (5)—Represented by 600,374 Class A and 300,949 Class B shares. (6)—12 months ending Jan. 31. (7)—As of Sept. 30, 1938. (8)—Year ending Sept. 30, 1938. (9)—12 months ending Apr. 30. (d)—Deficit. NF—Not available. *—No regular rate; paid thus far this year.

The Stockholder's Guide

— The Folly of Reaching for Legals
— Common Stocks Yielding Over 5%

Conducted by J. S. WILLIAMS

HIGH grade bonds are virtually out of the reach of the average individual investor. High grade bonds are selling at peak levels; their yield is low; and the risk of capital loss through prior redemption is ever present. Moreover, the latter condition has the effect of neutralizing some of their appeal as a haven of prime investment security.

Under the "easy money" policy sponsored and fostered by the Government interest rates have declined to unprecedentedly low levels. Yields on high grade issues, or the so-called money bonds, have been adjusted downward by steadily rising prices. At the same time uninvested funds in the hands of banks, insurance companies and other fiduciary investors have been increasing at a pace much faster than it has been possible for this class of investors to find suitable and adequate opportunities to put their funds to work. Spirited competition among institutional investors to obtain "legals" and high grade corporate bonds has introduced a high degree of artificiality into the bond market. In support of this contention no more convincing evidence need be sought than the fact that it is not uncommon for a high grade bond to sell from two to five points above its call price. Normally, the call price has the effect of placing a definite ceiling on the market price of bonds having no convertible privilege or other speculative feature.

Once a bond sells above its call price, the margin between the market price and the earliest possible redemption figure constitutes a risk of potential capital loss. Fiduciary investors accustomed to purchase bonds in large blocks follow the practice of setting up an amortization fund out of interest for all issues acquired at a price in excess of their face value. In this manner it is possible to offset all, or at least part, of any possible loss which might be sustained by prior redemption. The individual investor, particularly one to whom investment income is a vital factor, may find it neither convenient or feasible to amortize a market premium. To do so in effect would result in a corresponding reduction in current income.

It is thus obvious that the individual investor, compelled to compete against large institutional buyers in the high grade bond market is at a marked disadvantage. In the circumstances, therefore, what are the alternatives? There are several. First, of course, funds may be kept in the savings bank and allowed to remain virtually idle, so far as their productivity from the standpoint of income is concerned. It is here assumed, however, that income is essential. In previous discussions on these pages, a policy of supplanting high grade bonds called for prior redemption with issues of lesser quality—issues rated as medium grade but which for all practical purposes offered adequate security plus a reasonable yield, has been advocated. But the unceasing pressure of funds seeking employment has made itself increasingly felt in the market prices of representative medium and second grade bonds, forcing prices up to a point where the actual income yield is less than the investor might justifiably demand from this class of issue.

Parenthetically, it might be noted at this point that the present era of low interest rates has been a boon for corporate financial managers. It has been possible for many companies to effect an important savings in funded debt interest and service charges by refunding outstanding issues bearing 4, 5 and 6 per cent coupon rates with new bonds or debentures carrying 3, 4 and 4½ per cent rates. Now signs are in evidence that this same cycle is beginning to repeat itself. Companies which only three or four years ago issued low coupon refunding bonds, now find themselves in a position to

Selected Preferred Stocks for Income

Issue	Call Price	Recent Price	Yield
Diamond Match $1.50 (a)	NC	43	3.50
Holland Furnace $5 (b)	105	107½	4.60
Public Service of N. J. $5	NC	108	4.60
Shell Union Oil $5.50	105	105	5.20
Westvaco Chlorine $1.50	33	31	4.84
Household Finance $5	110	107½	4.60
Celanese Corp. Prior Pfd. $7	120	95	7.40
Commercial Credit $4.25	110	106	4.01
Endicott Johnson $5	107	107	4.67
Tide Water Assoc. Oil $4.50	107	94	4.79
Loew's Inc. $6.50	105	107	6.07
Firestone Tire & Rubber $6	105	104¾	5.66

NC—Not Callable. (a)—Entitled to prior dividends of $1.50 annually and participates up to $2 a share on all dividends on common in excess of $1.50 annually. (b)—Convertible into 1¾ shares of common until March 31, 1940.

refund these bonds at an even lower rate of interest. For example, Commonwealth Edison recently refunded \$115,000,000 4's and 3¾'s with an issue of 3¼ per cent bonds. On these pages in the issue dated May 20, last, Socony-Vacuum 3½'s 1950 were discussed. At that time the bonds were quoted about three points above their call price to yield about 3.3 per cent. The fact that the market was willing to disregard the call price to the extent of three points gave weight to the assumption that the issue was not destined for early redemption—particularly as it already bore a very low coupon rate. During the past fortnight, however, announcement was made that the company would call the 3½'s replacing them with a lower coupon issue. At the same time it was announced that interest rate on the company's \$75,000,000 3¼ per cent debentures, all held by insurance companies, had been reduced to 2⅞ per cent. Both the Commonwealth Edison and Socony-Vacuum issues are typical high grade bonds, but much too "rich" for the individual investor.

Under more normal conditions, any company able to float a long term bond issue on a four per cent basis would almost automatically be given a high credit rating and its bonded indebtedness included among the best grade bond issues. This is not the case today. Even marginal companies identified with cyclical industries and whose earnings are characterized by violent fluctuations between good years and bad are now able to finance themselves on a four per cent—and even lower—basis. Therefore, the fact that the bonds of a particular company bear a low coupon or are quoted on a low yield basis is no longer readily acceptable as reliable evidence of high quality. Second and medium grade issues should be acquired only after careful investigation, and the choice of suitable issues is daily becoming more circumscribed.

Throughout this entire series of discussions in which we have sought to provide investors with a logical approach to the objective of financial security and dependable income, the necessity for a certain amount of reasonable compromise has been emphasized. Investors have not been encouraged to compromise their ideas of security and income to the point of risk and danger, but to recognize the existence of various artificial factors in our financial economy. It has also been pointed out that at best any system for rating the relative merits of various classes of securities is at best arbitrary and at least partly mechanical. It is possible to find among

High Yielding Common Stocks

Issue	Dividend	Recent Price	Yield	COMMENT
American Tobacco "B"	5.00	80	6.25	Company's sales showing important competitive gains. Dividend likely to be earned in full this year.
F. W. Woolworth	2.40	45	5.30	Sales running ahead of 1938. New stores being opened. Dividends secure.
Homestake Mining	4.50	63	7.14	Strong financial position and sustained earnings lend assurance of dividend security.
Bower Roller Bearing	2.00	25	8.00	First quarter earnings 78 cents vs. 27 cents a year ago. Dividends speculative.
United Fruit	4.00	78	5.13	First quarter net up nearly \$1,000,000. Shares suitable for income and moderate price appreciation.
Commercial Credit	4.00	47	8.50	High yield probably reflects growing competition. Volume of receivables rising. Dividends fairly secure.
Kroger Grocery	1.60	26	6.10	Current earnings prospects favored by better profit margins. Shares have income merit.
Lone Star Cement	3.00	47	6.40	First quarter earnings lower. Later results may show improvement. Dividends speculative.
American Machine Foundry	0.80	13	6.10	Dividends probably secure for the near term.
Barnsdall Oil	1.00	14	7.10	First quarter net equal to 25 cents a share vs. 41 cents a year ago. Bank loans up. Dividends uncertain.
Commercial Investment Trust	4.00	49	8.10	First quarter earnings off. Outlook for later months more favorable. Dividends reasonably secure.
National Distillers	2.00	25	8.00	Earnings running behind last year but are covering present dividends.
Household Finance	4.00	67	5.97	Earned 1.84 a share in first quarter vs. 1.94 last year. May pay another extra this year.
S. H. Kress	1.60	26	6.10	Did not earn dividend in 1938 and current sales lower. Finances strong and present rate probably secure.
Mathieson Alkali	1.50	25	6.00	Reflecting decline in net to 15 cents a share in first quarter, dividends are speculative.
May Department Stores	3.00	49	6.10	Dividend earned by small margin last year. Current outlook favors improvement.
Phillips Petroleum	2.00	35	5.90	Lower prices presented company from earning dividends in first quarter Present rate speculative.
Hiram Walker, G. & W.	4.00	42	8.10	Dividends being earned by good margin. High yield reflects uncertain factors in longer term outlook.
National Biscuit	1.60	27	5.90	Current earnings are better, reflecting lower material costs. Dividend reasonably safe.

second and medium grade bonds and preferred stocks, as well as common stocks, numerous seasoned issues concerning which there has never existed any serious doubt concerning the ability of the issuing companies to maintain interest or dividend payments, even in the darkest days of the depression. But on a purely statistical basis and by comparison with certain other issues they must be assigned a lower investment rating. An analogy is afforded by a comparison of an $800 automobile with a $1500 model. Mechanically, as well as in terms of potential mileage the $800 car will more than likely prove fully as satisfactory as the higher priced model and if a buyer has only $800 to spend for a car, there is no reason why he should prefer the higher priced model to the point of waiting until he has the additional $700 necessary to purchase it. He knows that he is not getting a car worth $1500 for $800, but he can be pretty sure that he will be getting his money's worth.

It is in this spirit of compromise that we approach the consideration of preferred stocks, as a means of meeting the problem of obtaining reasonable and dependable income without seriously subordinating the factor of investment security.

Preferred stocks as a group (and this has been pointed out in previous discussions) are a sort of hybrid investment medium. Unlike bonds or debentures, preferred stocks have no mortgage or credit claim upon the assets of a company, except in liquidation. Most preferred stocks, however, are callable. Their dividends are limited and most of them have no further participation in the company's earnings, so that they have only very restricted possibilities for price appreciation. Yet there are many preferred stocks which have unquestionable merit as a medium of investment income. For the investor, whose funds must be made to yield as large an income as would be consistent with reasonable investment safety, preferred stocks are certainly entitled to his consideration.

As a matter of fact, the merits of preferred stock for income have by no means gone unnoticed market wise. The situation here is analagous to that in bonds. The best grade preferred stocks, under the impulse of insatiable demand, have steadily enhanced in value, with a corresponding reduction in the yield and a widening spread between their call price and market values. Hence, in the selection of preferred stocks, the same obligation of discriminate choice is placed upon the investor.

Accompanying this discussion is a list of sound preferred stocks, worthy of investment consideration. All of the issues included in this list show adequate dividend coverage, a satisfactory relationship of market to call prices, and most of them carry the inducement of a better-than-average yield. A rough measure of their relative investment qualities is afforded by the indicated yield. The yield is about in inverse ratio to the investment rating of the issue; the lower the yield the higher the quality. Acquired in conservative proportions they should prove satisfactory additions to a well balanced portfolio, the purpose of which is to afford a dependable and adequate income.

UNITED FRUIT CO.

Recent Price: 78 **Dividend Rate: $3**

This is the sixth of special fortnightly investment suggestions to those primarily interested in income, safety of principal and sound investment standing. Each subsequent issue of the Magazine will contain one such selected issue.

While the business of United Fruit is primarily that of raising bananas, activities also embrace such fields as steamship transportation of freight and passengers, growing and refining of sugar, railway transportation and the operation of a radio telegraph system. Company's activities are international in scope.

Over the past ten years, the company's earnings have averaged $3.87 a share annually. For 1938, net was equal to $3.55 per share as compared with $4.07 in 1937. Improvement which started in the final quarter of 1938 has carried over into the current year and officially estimated earnings for the first quarter were nearly $1,000,000 ahead of last year's first quarter.

Dividends last year totaled $3 a share but this year payments have been made at the rate of $1 quarterly, indicating a $4 annual basis.

Company has no funded debt or preferred stock. Entire capitalization consists of 2,896,000 shares of capital stock. Financial position is excellent. Cash items alone at the end of last year totaled more than $36,000,000, while current liabilities were less than $13,000,000.

High Yielding Stocks

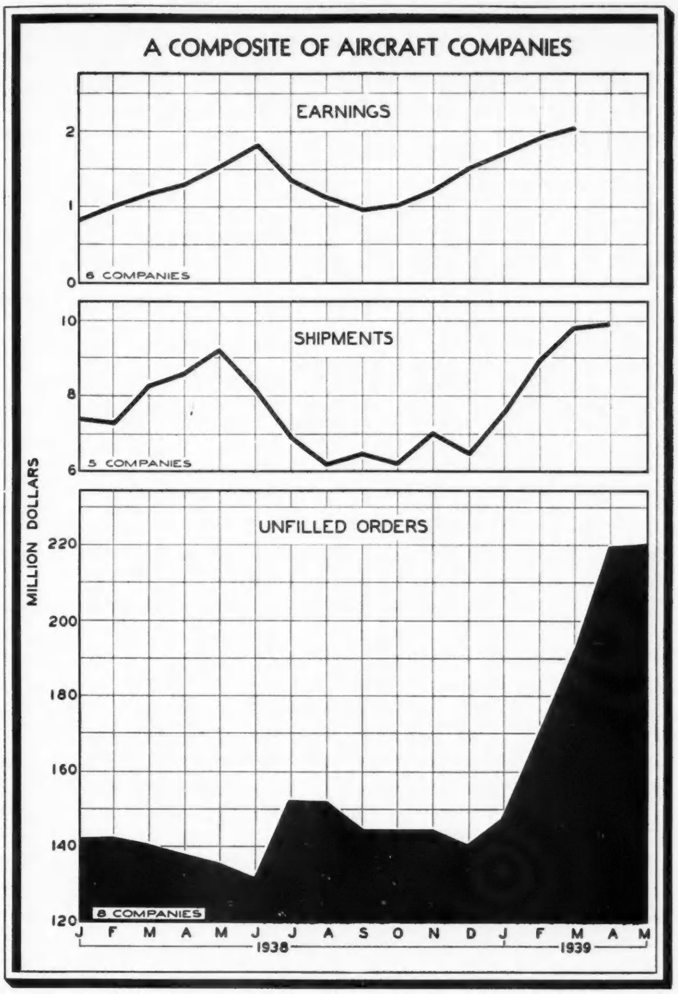
There is quite a sizable list of common stocks available to yield a return more or less substantially in excess of 5 per cent. Such issues must inevitably attract the consideration of investors confronted with the prospect of shrunken income. Investors, if they don't already know it, should be warned, however, that a high yield often indicates a dividend to be in jeopardy. In short, the yield is likely to be the highest just before a dividend is reduced, or omitted altogether.

At the same time there are many common stocks, with a long record of uninterrupted dividend payments to their credit and which offer an equity in companies whose business is characterized by an unusual degree of stability, under practically all conditions. In fact it is this feature of stability which accounts for the better than average dividend yield. These are the type of companies which under favorable conditions might show an increase of say 10 or 15 per cent in earnings and the market accordingly evaluates their prospect more modestly than in the case of companies which might stand to improve their earnings anywhere from 50 to several hundred per cent in a period of broadening business activity.

Those common stocks which merit consideration purely from the standpoint of dependable income, in most cases, will be found to be the shares of companies identified with either the manufacture or distribution of consumption goods, or engaged in supplying an essential service. To be sure, there are companies in practically every major industrial (*Please turn to page 208*)

Aviation Gains Extended

New Highs in Orders, Shipments and Earnings Follow Recent War Buying



The first few months of 1939 have broken all records for the aircraft manufacturers, with orders piling in at an entirely unprecedented rate. The charts at the right supply the background necessary to judge the recent trends in the light of conditions a year or even six months ago. Eight companies—Boeing, Consolidated, Curtiss-Wright, Douglas, Lockheed, Martin, North American and United—have been included in the tabulation of monthly unfilled orders. Reports on the backlogs of individual companies are made only at irregular intervals, but by following the receipt of more important single orders and by interpolating with an eye for trend it has been possible to arrive at monthly composite figures not far from the actual facts. Comparable methods have been used in arriving at shipments and earnings, except that Consolidated Aircraft and Lockheed have been omitted from the earnings and the shipments tabulations, while Curtiss-Wright has been omitted from composite shipments, in all cases because of lack of necessary interim figures.

Despite the increase in operations and deliveries, unfilled orders have skyrocketed with the placing of large commitments by both the American and foreign governments. New peaks in shipments do not always mean an immediate corresponding gain in profits, but in the present case there seems little doubt that earnings have kept pace. Height of unfilled orders is also assurance that the industry will continue intensely active for at least a year, with further growth in profits a logical expectation.

* * *

Outstanding in recent news of the industry is the order received by *Douglas* from the War Department for $15,000,000 of attack bombers. Total amount of the order will be far larger when the Wright Cyclone engines and other equipment specified are included. At the same time purchase was announced of four more attack bombers costing $250,000 apiece, two from *Glenn Martin* and two from *Stearman.*

General Motors' aircraft engine subsidiary, *Allison Engineering Co.*, scored a distinct advance when it was awarded the contract for 800 of its liquid-cooled, in-line motors to be used in the planes ordered from *Lockheed, Bell, Curtiss* and others by the Government. More adaptable to stream-lining, these engines have not yet been manufactured in quantity and General Motors is to spend $6,000,000 on additional production facilities.

United Aircraft earned 56 cents a share in the first quarter, against 42 cents a year ago, *Curtiss-Wright* 15 cents against 2 cents. The Curtiss subsidiary, *Wright Aero,* more than doubled its profits in the period. The new Army order to Douglas will bring additional business to both United and Curtiss. *Grumman* deliveries in the first four months of 1939 were up 24 per cent over a year ago, backlog slightly higher than at the beginning of the year despite step-up in shipments. *Boeing* has delivered to Pan-American Airways five out of six clipper planes recently ordered; this should help current profits. *Lockheed* has sold six more transports to Trans-Canada Air Lines, and is now building four-motored planes where it formerly concentrated on two-motored ships.

As the Trader Sees Today's Market

I. Ceilings Imposed by Rights
II. Theoretically a Trader's Paradise

BY FREDERICK K. DODGE

It has been notable for several years that the raising of additional capital through common stock subscription rights usually affects the market action of an issue for months afterward. The tendency has been to depress the market for that particular issue, setting a ceiling where stock was for sale; and it has been so marked that the mere announcement of a stock offering has frequently been the occasion for selling in anticipation of sluggish action to come.

A very recent example is that of Eastman Kodak. On March 14th the company announced that it planned to sell additional stock to owners. The issue promptly dropped a point and a half from its previous close at 179, although the market averages gained on the day. The next day Eastman lost two and a half points more. On March 31 the price of the stock to be subscribed was set at 127½ and the stock fell another two and a half points to 165, followed by a drop to 163 the following day, one of these declines taking place in a falling and the other in a rising general market. That made sixteen points lost by Eastman in the seventeen trading sessions following announcement of the subscription.

Eastman Kodak is an investment issue if any active common stocks are, yet there became visible signs of short-selling in it. Shortly before the expiration of the rights to subscribe, the stock began to loan at a premium, indicating that demand from shorts to borrow stock with which to make delivery was larger than the normal supply. Even investors adopted the expedient of selling short against the rights they held, relying on the rights to protect them against a run-up in the stock. On the day before the rights were to expire Eastman sold down to 138⅛, forty-one points below its level at the time the subscription was announced. The high quality of the stock made its recovery very sharp, with twenty points quickly regained, but it had dipped far closer to the price of 127½ which would have upset the plans of the underwriters than anyone could have expected. During the last twenty-seven points of its fall, moreover, THE MAGAZINE OF WALL STREET average of 40 Industrials had worked less than three points lower.

What happened in Eastman is vivid in our memory, but not necessarily typical. To find a broader picture one must go back to the early part of 1937 when many companies were selling additional common to their stockholders. Using the Daily Index of 40 Industrials already referred to, it was found that ten of these issues should be eliminated because they have convertible bonds or preferred stock, were split up, or were subject to some influence that might confuse the picture. Of the remaining thirty, seven issued rights to subscribe to common during early 1937 and twenty-three did not. The accompanying chart shows the contrast in market action between the seven right issuers and the twenty-three who did not. The greatest effect was, of course, immediately during and after the issuance of additional stock, as shown by the failure of this group to rally as well as the other in the late summer of 1937. During the first leg, also, there was the question of dilution of equity through additional stock.

Fluctuations above and below the levels where stock was subscribed tend over the course of time to remove the ceiling. Progress in earnings or improvement in outlook can help an individual issue through any offerings that may be the result of temporary indigestion of the additional supply of stock. But it can be only partly coincidence that the issues without such ceilings have done substantially better over a two-year period. As a matter of fact, every one of the seven which offered stock two years ago is now selling below the subscription price, although that in turn was well below the market then prevailing. And this though the companies which gave their stockholders rights to buy more stock are of better-than-average grade; and though two years have now elapsed since the subscriptions.

Let us look at the recent action of the seven issues, keeping in mind the subscription price of two years ago for each. American Smelting has made no attempt at the 70 level where stock was offered. American Steel Foundries got to 38 last November, against a subscription price of 40. After falling back, it made another attempt and on the last day of the year touched 40¾. For six sessions early in the current year it hovered around 40, but never got above 41 and is now well down from its earlier peaks.

Boeing Airplane is in an industry which has made great progress over the last two years. For this reason the offering price of 23 was no great stumbling block and last December Boeing reached a level 50 per cent above it. Nevertheless the stock is now back just under 23. Industrial Rayon was offered to stockholders at 30. It made three rallies trying to get through that level in the

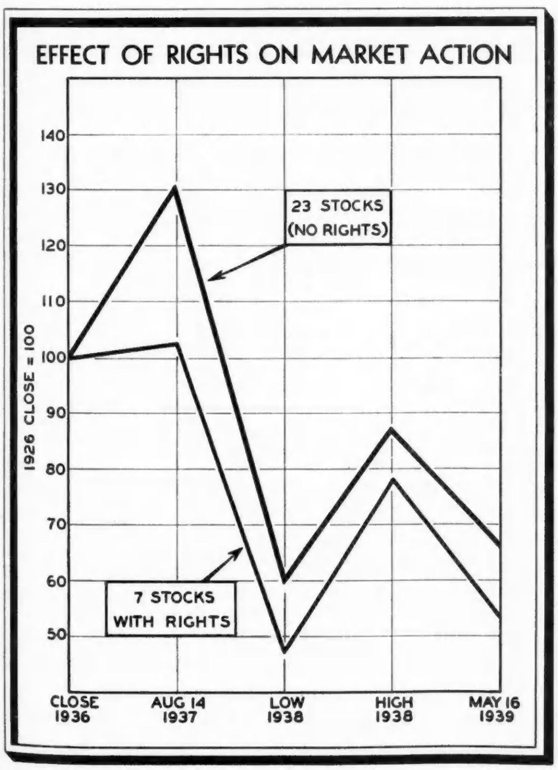
last half of 1938—the first time reaching 30⅛ early in August, then 30⅜ two weeks later, and again in October when it stopped at 29⅝. In January of this year another attempt was made, but it ended at 29½.

Johns-Manville was sold to stockholders at 100 in 1937 and last year it tried in July, August and September to penetrate that level. It finally got through in October, going to 111, then back to 100 at the end of the month. Succeeding rallies went to 108, 106 (twice) and then to 98 where the March rally terminated.

Both Sears, Roebuck and Texas Corp. have shown the ability to stay above their respective subscription prices of 70 and 40 for long periods, although both are now below those levels. Trading ranges have occurred in them, however, which indicate that the offering price has had some influence on their behavior.

If all other considerations could be ruled out, as they never can be in the stock market, the issues which have spent most time above the price at which stock was subscribed two years ago could be accepted as having given the most positive indication of overcoming their ceilings. On the other hand, a market which continued strong for a longer period after the subscriptions were made might have allowed the indigestion to be worked off in short order instead of persisting as it apparently has done; the drop in the market coming immediately after the stock offerings certainly did nothing to hasten the normal absorption process of the additional supply. In either case, traders can hardly afford to ignore, without thorough study, the question of the effect of rights on issues in which they are interested.

It does not follow that any company which contemplates the issuance of additional stock is by that action going to create a bear market in the issue. The examples



to the contrary in the past are too numerous and too well known to need listing. It seems to be characteristic of recent markets, though, to pay more attention to the technical side and to watch possible increases in the floating supply with a very real apprehension. The company which sees such a demand for its product that it can use additional capital to advantage is obviously emphasizing a bull point by its attitude. Nevertheless, while short-swing movements are affected as they have been up to the present by stock subscriptions, the facts of a potentially spongy market must be faced.

Theoretically a Trader's Paradise

Last year contained almost as many swings in the market averages as the four years from 1924 to 1927 combined. Classifying as a fluctuation any rally or decline in either the rails or industrials which equals 3 per cent of the current level, 43 of such movements are found in 1938 as compared with 28 back in 1929. Only two years since records have been kept have exceeded 1938 for the number of turns and they were the hectic depression and recovery years of 1932 and 1933, when 64 and 54 fluctuations, respectively, occurred. After that the trend was downward in number of swings with only 14 in 1936 and then a jump to 33 in the following year.

Had a larger limit been set on the minimum fluctuation counted, the greater volatility of the past few years would have shown even more obviously. Up until the time this country entered the War the rails were market leaders, selling higher than the industrials and initiating almost all of the movements in the list. A great many of these swings were confined to 5 or 10 per cent of the average price, since the rails were investment issues and changes in either supply or demand were limited by steady earning power backing the prices and dividends. In the middle twenties the long uptrend took control and intermediate reactions were of relatively small scope. With the advent of current thin markets, however, swings in both rails and industrials became much wider and more frequent. Seventeen of the 43 fluctuations in the rails in 1938, for example, amounted to over 10 per cent of their price levels. One rally went to 37 per cent, another to 29 per cent, and the March decline amounted to 26 per cent. Largest movements in the industrials were between 17 and 18 per cent in the June and October rallies.

Events wholly unrelated to business or company earnings were responsible for many of the 1938 swings. Yet the thin market which has prevailed over recent years must be credited or blamed for most of them. In 1914 there were only 8 changes (with the market closed from August to December) and 17 the next year. Theoretically 1938 should have been a trader's paradise since frequent opportunities were allowed for getting in and out of the market and the fluctuations were as wide as anyone could have wished. Actually, though, many of the swings were in response to forces unpredictable and unanalyzable by experts on both sides of the Atlantic. Timing the war scares in advance and correctly estimating their probable effect on the market has been close to impossible. Fewer swings might cut down opportunities, but if they were in response to understandable domestic developments they would be a welcome change.

Machine Tool Profit Prospects

Dip in Orders Substantial, But Major Trend Points Up

BY GEORGE W. MATHIS

A SET of steady nerves is indispensable equipment for approaching the recent record of the machine tool business. The latest figure in the index of orders compiled by the National Machine Tool Builders Association showed a slight "recession" in April from the month before. A mere matter of 29.8 points was the drop, largest in over a year. Most industries would consider that a catastrophe, but this one expects wide swings in incoming orders, allows for them in making its plans, and probably would be very suspicious of any prolonged stability in what is essentially an exaggerated version of the cycle in capital goods.

If a drop like that in April had occurred from the low point of a year ago—66.7—practically the whole machine tool industry could have made a simultaneous reach for fishing tackle and golf clubs. Fortunately it was from a level almost three times that height that the fall came, the index standing at 185.4 in March, best since September, 1937. What may surprise some who have been unaware of the long-term trends in the business is that the March level was also above any reached in the boom of the twenties. It marked the second step in an extremely vigorous comeback machine tools have made from the dullness of a year ago. The quarter also included one month—February—which brought more orders than did the corresponding month in 1937, record year for the industry.

In average times the all-important customers for machine tools are the motor manufacturers, and even today they have more effect in determining the trend of orders than any other single factor. This is the season—April, May and June—when their re-tooling orders should be maturing in volume to prepare for the new models to come in the summer. April was apparently a disappointment so far as motor orders went and May has shown hardly any improvement, although inquiries have been good enough to indicate a sizable volume of business contemplated. The season is far enough advanced, however, to make unlikely a sudden surge of orders from Detroit, and 1939 will undoubtedly turn out to be merely an average year in amount of business obtained from the major customer.

Important though the automobile industry is to the tool makers, it is far outweighed in total by the uncountable manufacturers of metal parts who supply directly or indirectly the growing mechanical needs of modern living. Each of these potential customers has an individual problem in deciding when to modernize equipment, when the saving will justify the investment. Eloquently on the side of the machine tool maker is the increased efficiency possible through his new products, the elimination of hand labor, faster, more uniform output. Strikes and high wages impel toward the use of up-to-date machines. Yet there remains that question of whether or not to tie up cash, incur short-term debt, in the immediate uncertain present.

The tool makers claim that many of their products will earn their cost in two years through their demonstrable efficiency. The business man wants to know if even a year from now he would not prefer cash in the bank. He accepts the fact that a certain machine will do the work 20 per cent cheaper than his present one, but wonders how much work there will be to do a year from now. His payroll is flexible, but capital investments are final. Therefore he hesitates, gains courage from time to time as the world seems to settle nearer normal grooves, then postpones all action as some new foreign or domestic crisis changes the terms of the equation he must solve.

Sensitive Confidence Reflector

If you care to see business confidence charted in one of its most practical manifestations, the index of machine tool orders is ideal for the purpose. There are vagaries from month to month that may be hard to tie in with events affecting confidence, but the presence of foreign orders in the index will explain many of these. Certainly the trend by quarters is both sensitive and extreme, an interesting reflection of the attitude not only toward business prospects but toward stock market movements. Last July most customers refused to become excited over the pickup being heralded in Wall Street, but by August this skepticism had been overcome and the buying surge was under way. Munich stopped the advance, just as it did in the stock market, but hope revived and toward the end of the year pushed this index into an uptrend going further and lasting longer than any composite business activity gauge.

Orders from miscellaneous manufacturing—electrical equipment, railroad equipment, metal fabricating and so forth—cannot be separated in a tight division from the motor manufacturers' orders. They are both subject to the same influences, although they may vary their

swings somewhat in timing and extent. There are two other factors, however, one long-term the other not necessarily so, which have a bearing on the immediate situation. The first is the obsolescence of equipment in this and other countries, and because obsolescence has been discussed so thoroughly and frequently of late it will need little elaboration here. The *American Machinist* has estimated the proportion of outmoded tools on the basis of a ten-year life as more than 60 per cent in the middle of 1937. Aside from all new developments, all new demand which is constantly springing up, the reduction of this figure would keep the machine tool industry working at capacity for a good many months. There can be no question that American manufacturing has fallen behind in its tool buying, but there is a decidedly pertinent question in the forecast as to when these deficiencies will be made up. The answer obviously rests with the confidence and the prosperity of business, its willingness to make capital investments for the sake of future profits. If only in compliment to its size, that question must be left for the future to decide.

The second factor is more clearly separable from business trends. It has recently been and must continue for some time to be of great importance to the machine tool makers. For want of a better, more inclusive term it might be labeled war orders, although none of the best customer nations will admit the existence of a war. Japan, Russia, England and the United States have all placed large orders with the leading firms in the industry, three of them preparing for, one prosecuting, a conflict. The first two have become less important, but the recent trend within the United States has more than made up for the decrease.

Appropriations for national defense are necessarily aimed straight toward the machine tool industry in considerable part. After all, it matters less how many cannons or rifles we have on hand than how many we can produce if the need should arise. Here is a case where the productive facilities are more necessary than the products. It is said that the War Department's plans for mobilization include assignments to 10,000 separate metal working plants. Also reported is the fact that 80 per cent of the equipment in Government arsenals and yards is older than the A. E. F. Every appropriation, whether for guns or battleships or aircraft, is destined in part toward the purchase of machine tools. The shipbuilding program has ceased to meet the requirements of news, so we hear little about it. Yards are actually handling all the work they can manage, and their biggest needs include the tools to speed production. Each of the thousands of metal parts aboard a battleship or a merchantman requires intricate machinery for efficient production, and this demand for tools is practically guaranteed for at least a year ahead.

The step-up in aircraft building receives prompt reflection in the evaluation of the plane manufacturers, but it is not sufficiently realized how dependent they are in turn upon the tools they use. As the trend toward volume production solidifies, the elimination of hand methods is bound to proceed. (*Continued on page 204*)

Machine Tool Companies

	Earned Per Share 1937	Earned Per Share 1938	Recent Price	COMMENT
Black & Decker	2.82a	.76a	17	Despite sustained export demand, sales dropped almost 25% in 1938 fiscal year and earnings almost 75%. Improved auto situation raised recent earnings above year ago and dividends will probably continue to follow sales trend.
Bliss, E. W.	1.93	.01	10	With unfilled orders backlog high and armanent business increasingly important, operations should be well sustained. Lag between orders and earnings is great, however, and profits will go first toward clearing bank loans and preferred dividend arrears.
Bullard	3.19	.08d	19	Most important customer is automobile industry, with aviation also sizable and foreign business frequently bulking large. Last half of 1938 was disappointing, but armament program has already helped and will probably increase its influence in coming months.
Ex-Cell-O Corp	1.69	1.11	18	March quarter earnings larger than in corresponding period for several years with volume up 25% over a year ago. Increase was entirely domestic, foreign business lower. Diversification lends stability and both profits and dividends should grow as conditions permit.
Greenfield Tap & Die	2.47	1.19d	5	Although first quarter earnings failed to cover dividends on both preferred issues, some improvement was registered over a year ago. Common stock depends on sustained pickup in motors and electrical equipment as well as aviation, shipbuilding and armaments. Bank debt is being reduced.
Link-Belt	4.47	1.33	33	Chains and conveyors for widely variegated uses comprise bulk of business, with trend toward mechanized industrial operations a long-term favorable factor. Earnings in first quarter still below year ago but by small margin and second quarter should produce gain.
Mesta Machine	4.67	2.91	28	Conditions in steel industry suggest that Mesta must rely on foreign business for bulk of large orders for some time to come. Backlog is estimated near $11,000,000 of which minor part is domestic orders. Repairs and replecements chief sustaining factor in this country.
Monarch Machine Tool	2.90	2.14	20	Final quarter of 1938 was a good one, running far ahead of a year earlier. Lathes of all kinds find wide demand which has held up well, aided by substantial earlier backlog. Dividends of $1.25 last year may be exceeded in 1939.
National Acme	2.85	.37	12	With motors as important customers, only first and last quarters of 1938 were profitable. Substantial aid to this year's results should be afforded by high rate of operations in aircraft industry and by armament program.
Niles-Bement-Pond	7.46	4.88	58	Backlog of orders, over $2,000,000 in February, has probably held up well despite drop in machine tool order index. New plant under construction should increase efficiency and enlarge production. Regular dividend recently supplemented by distribution of United Aircraft stock.
Starrett, L. S.	5.10b	3.05b	25	Machinists, metal-workers and carpenters are chief users of products. Activity in general industry, in building or in the arms program has favorable implications for Starrett. Dividends should continue with extras at fiscal year-ends.
United Engineering & Foundry	4.86	3.82	30	Last half of 1938 showed $2.14 per share earned against $1.68 in first half and $2.25 in last half of 1937. Nevertheless, demand in U. S. for new steel mill equipment will probably be slow and company will depend largely on foreign business.
Van Norman Machine Tool	3.88	3.41	23	Swings in quarterly earnings were wide last year—$1.32; $0.12, $1.28 and $0.05 respectively. While first 12 weeks of 1939 produced only half the profits of a year ago, small capitalization permits rapid recovery in results per share when order trend is favorable.

a—Year to Sept. 30. b—Year to June 30. d—Deficit.

For Profit and Income

More Accurate Yardstick

One of the most important developments in the utility field to date was Nebraska's recent adoption of legislation requiring federally sponsored power projects to operate under the same conditions as private utilities. Principal features of the new measures make private systems purchased by public power districts subject to the same franchise provisions previously applicable to the systems and require payment, in lieu of taxes, of sums equal to the taxes previously being paid by the private companies. Not the least significant aspect of this action, which means that from now on federal utility yardsticks in Nebraska will measure a full 36 inches, is that it occurred in Senator Norris' (T V A) home state into which P W A has poured nearly $60,000,000 of loans and grants for public power and irrigation projects.

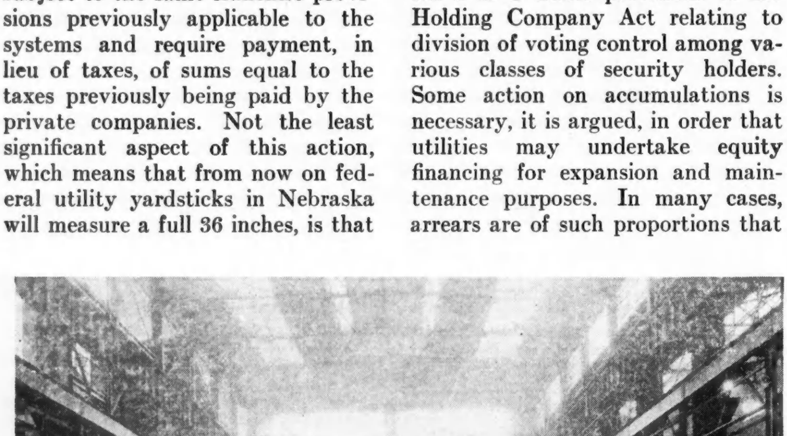
Utility Preferred Arrears

Pressure upon utility companies for the clearing up of preferred arrears may shortly be undertaken by the S E C under provisions of the Holding Company Act relating to division of voting control among various classes of security holders. Some action on accumulations is necessary, it is argued, in order that utilities may undertake equity financing for expansion and maintenance purposes. In many cases, arrears are of such proportions that cash settlement seems improbable and their elimination would probably involve revamping of capital structures. Among issues carrying substantial arrears, but on which dividend requirements are now being earned, are the following:

Company	*Arrears per Share*	*Earned in 1938*
American Power & Light $5	$16.25	$5.31
Cities Service $6 Prior	42.00	7.34
Cities Service $6 Pref.	42.00	32.10
Cities Service 60c Pref.	4.20	3.21
Commonwealth & Southern $6	12.75	7.91
Electric Power & Light $6	38.50	6.08
Internat'l Hydro-Electric $3.50	16.62½	3.76
United Gas $7	25.12½	11.98

All Ears

Standard of New Jersey and Standard of Indiana have jointly developed a new refining process similar to Sun's and Socony's Houdry process. (See MAGAZINE OF WALL STREET, Jan. 28, 1939). * * * The New York State tax of 2 cents per package on cigarettes, effective July 1st, is something of a blow to Philip Morris whose vending machine sales in the New York metropolitan area have been contributing importantly to its total volume gains. * * * Newsprint industry is apparently next to come under the fire of the Justice Department's trust-busting squad. * * * When a railroad strikes oil it's news. A 4,000 barrel well was recently brought in on Southern Pacific property in Fresno County, California, and a second well will be drilled shortly under royalty arrangement with Amerada. * * * With general line and packers' can sales



Courtesy Lima Locomotive

If the Government follows through in its plan to build equipment for lease to the railroads it will be a boon to manufacturers of all kinds of rolling stock.

up moderately, and tin plate prices stable, earnings outlook of American and Continental this year is mildly encouraging. * * * Thus far public hearings have brought out no important criticism of the $175,000,000 purchase price New York City proposes to pay for the B.M.T. properties and it appears that about the only chance of a hitch in the deal would be from disagreement as to division of the funds among various classes of security holders. * * * Meat packers are now in the black though for the first six months of the fiscal year ending October 31 lower hog prices and consequent inventory losses more than offset operating profits.

du Pont's Profits Holding

Operations of the chemicals in general and of du Pont in particular have been holding at better levels thus far in the second quarter than was expected a few weeks back. du Pont's business is reportedly running some 40% over a year ago and net results for the current period are expected to top those of last quarter when $1.55 per share, including 88 cents from chemical operations, was reported. The company plans to go after South American business more aggressively and has arranged for the purchase of two ships which it will operate in this connection. Recent declaration of $1.25 dividend brings common distributions for the year to date to $2.50; in the whole of 1938 $3.25 was paid.

Rail Equipment Plan

Recent reports of contemplated purchase of several thousand freight cars by a single road has brought more cheer to rail equipment manufacturers than in some time for, though the volume of railroad buying in the first quarter of 1939 was the second largest in nine years, new orders have since dwindled considerably and even at first quarter levels were not sufficient to bring more than a modicum of prosperity to the equipment makers. But of much greater potential importance than any buying that may be undertaken by a single carrier is a scheme now brewing in Washington which, if put into effect, would in all likelihood bring the country's railroads virtually in toto into the market for equipment. As it now stands —and it is as yet scarcely out of the formative stage—the plan calls for Government financing of equipment construction by private manufacturers and the leasing of such equipment to the rails at an annual rental that would actually mean a cash saving to many roads whose present facilities are now so obsolete that their replacement by up-to-date efficient equipment would probably result in lowering transportation expenses by as much as 10%. In other words, if the new equipment were available at, say 5%, the difference would be clear saving to the roads entirely aside from the capital salvage value of outworn facilities. But such an arrangement would obviously be even more of a boon to such equipment manufacturers as Baldwin, American Locomotive, Lima, American Car & Foundry, General Railway Signal and others. Potential needs of the carriers are known to be very large indeed, especially in the matter of rolling stock and motive power. Though the plan has not yet attained the status of formal recognition, it is by no means without logic and is pretty much in line with Washington's growing consciousness of the fact that lasting prosperity must entail considerably greater activity in the capital goods industries than has obtained in recent years.

Developments in Companies Recently Discussed

An unexpectedly strong upsurge in sales recently has lifted Sears, Roebuck volume for the year to date to levels 20½ per cent above the like period of last year. Sales for the four weeks ended May 21 were $54,379,000, 28 per cent over the same weeks of 1938 and more than 10 per cent above the preceding four weeks.

Four months net income of Socony-Vacuum was off about 35 per cent from a year earlier, it was divulged at the company's recent annual meeting. Coupon rate and offering price on bonds shortly to be issued for refunding of the company's 3½ per cent debentures have not yet been determined.

Improvement in the motor industry's prospects has helped outlook of Houdaille-Hershey though second quarter earnings will probably fall below those of the March quarter when 38 cents a share was reported on the Class B stock. Dividends on this issue have recently been resumed.

A moderate rise over the $1.53 earned in the first six months of 1938 is indicated for American Smelting this half. It is doubtful if operations have as yet been affected by the sluggish demand for copper.

Earnings of National Dairy are understood to be running somewhat below first quarter levels though still comfortably ahead of a year ago. At this season weather becomes an increasingly important factor in determining sales and profits.

Holland Furnace was in the red to the extent of 40 cents per common share last quarter as compared with a loss of 49 cents for the same period of 1938.

Operations of Servel for the quarter ended April 30 resulted in a profit of 46 cents per common share as compared with 33 cents a year earlier. The company is currently developing an air conditioning unit using natural or manufactured gas as fuel.

With paint and varnish sales up about 12 per cent, net income of Glidden for the six months ended April 30 was probably sufficient to cover preferred dividend requirements and leave a balance on the equity stock. A common share loss of 29 cents was sustained in the full fiscal year ended last October 31.

Current estimates place earnings of Dow Chemical for the fiscal year ending May 31 at $3.30 which would compare with $3.91 for the previous year. Operations of the Io-Dow division and Ethyl Dow Corp., have recently been doing as well or better than a year ago.

First half net of U. S. Rubber will probably about cover full year preferred dividend requirements, leaving entire second half earnings available for common shareholders. Company anticipates wider use of its Royal Foam Sponge and has recently introduced a sponge rubber mattress.

Steady Income Producers

Modest Appreciation Possibilities in Wrigley, Beech-Nut, American Chicle

BY H. L. TRAVIS

Psychologists will probably never agree on the whys and wherefores of the chewing gum habit. And opinion as to its contribution to the more abundant life remains divided between addicts and those whose convictions on the question derive from what they pick up from time to time underfoot. But on one point, at least, there is no room for disagreement. The chewing gum business is a profitable one through both good times and bad.

Not that profits are immune to depression. From 1929 to 1932, combined net income of the big three—American Chicle, Beech-Nut and Wm. Wrigley Jr.—dropped 36 per cent, and the 1938 figure was 13 per cent below 1937. But at no time were any of these companies threatened with red ink and, by comparison with almost any other group, even in the generally stable consumer goods field, their earnings have been notably well maintained. As to dividends (see table), this stability is even more marked. Though all three concerns paid less last year than in 1937, only one—Wrigley—reduced payments in the 1929-32 slump, while American Chicle actually increased its rate during this period. That distributions were not as well maintained last year as in the earlier and greater depression was largely due to the undistributed profits tax which forced the disbursement of a larger portion of earnings in 1937 than had been customary a few years earlier, thus considerably reducing the margin between earnings and dividends.

The most obvious explanation of the gum makers' earnings stability—fairly constant physical consumption—is actually somewhat less important than the traditional five-cent price which, practically inviolate, is an even greater influence in minimizing dollar sales fluctuations. It is price maintenance that sets the industry apart from most others for unit output probably varies as widely as that of other "necessity" consumer goods which, however, are generally subject to at least a modicum of price flexibility. The fixed price situation in the gum trade derives from the "convenience" idea in pricing (i.e., buyers would rather pay a nickel than four cents), the very low unit value of the product, and the fact that competition, while keen, ordinarily takes the form of sales promotion efforts though premiums to dealers are also a factor. Which brings us to the question of why, in so lucrative a field, 95 per cent of the business is in the hands of only three companies.

The answer is twofold. In the first place, while fixed capital requirements are not large, substantial and continuous outlays are necessary to establish and maintain brand names in the public favor. Wrigley, for example, spends in the neighborhood of $5,500,000 annually for advertising. Secondly, the prime ingredient, chicle, is difficult to obtain. The crude gum is the sap of the naseberry tree which grows only in a limited section of the tropics—Mexico, Guatemala and British Honduras. The trees grow in a wild state and are scattered through the jungles, little progress having been made toward their domestication since a tree less than 70 years old is not mature enough to tap and even then requires a rest period of six years between tappings. A tapping yields on an average of 2½ pounds of chicle and in six hours the tree is drained. Wrigley maintains its own chicle gathering organization while American and Beech-Nut have pooled their efforts.

Few Manufacturing Problems

The chewing gum manufacturing process itself is not complex though operations are highly mechanized and wage costs represent only about 5 per cent of the value of the finished product. When the crude chicle, having been boiled and cast into 20-pound bricks at the gathering points, arrives at the factory, it is crushed and dried, then liquefied by heat and filtered for impurities. The refined chicle is then ready to be made into gum and,

though the formulae for specific brands are closely guarded secrets, general composition is no particular mystery. A typical mix calls for about three parts sugar to one part chicle, a little balsam tolu and flavoring as required. After kneading, the dough is extruded in ribbon form, cut into sticks and wrapped.

Manufacturing costs of the "big three" are about on a par though Wrigley, nearly twice the combined size of its two rivals, may have a slight edge in this respect. Principal manufacturing cost item, of course, is represented by raw materials. Fluctuations in operating income arise mainly from variations in the cost of obtaining ingredients, but large inventories are carried (about two years' supply of chicle, for example) by way of minimizing the price hazard. Since shipping costs are of minor importance, operations are highly centralized. Entire domestic output of Wrigley's well-known "Spearmint," "Doublemint," "Juicy Fruit" and "P.K." lines comes from a single plant in Chicago, while production of American's "Chiclets," "Dentyne," "Black-Jack," etc., is centered at Long Island City, New York. The former company also operates plants in principal parts of the British Empire, and the latter in Canada, Mexico and Argentina. Beech-Nut, nearly half of whose sales and profit comes from a diversified line of packaged food products, including ham, peanut butter, tomato products, coffee, etc., operates factories in Brooklyn, Rochester and Canajoharie, New York. Distribution in each case is handled for the most part by extensive sales organizations directly contacting dealer outlets, only a small part of output being sold through jobbers.

Though combined earnings of the chewing gum manufacturers exhibit considerable resistance to cyclical influences, there is noticeable variation among the three as regards long-term growth trend. As is apparent from the table on this page, Wrigley has been losing out to American Chicle, profits of the former now running well below their 1930 peak while those of the latter have almost doubled. Beech-Nut, on the other hand, has about held its own. Aside from internal shifts of this sort, growth prospects appear rather limited at least as far as the domestic market is concerned. Some sales expansion abroad is possible; in this connection, as well as anent the war hazard, it is of interest to note that Wrigley, whose stake in foreign markets is the largest of the three, obtains only about 15 per cent of its revenues from abroad.

Finances of all three companies are characteristically strong. Cash holdings alone in each instance are well in excess of total current liabilities, and working capital totals are sufficient to support substantially larger business volumes. Capital structures are simple and conservative. Aside from a negligible 45 shares of Beech-Nut non-callable preferred, none of the gum makers has any senior stock or funded debt outstanding. Heaviest equity capitalization is that of Wrigley, amounting to 1,973,490 shares, as compared with 437,300 for American and 437,524 for Beech-Nut.

Market Action and Yield

From a market angle, American and Beech-Nut distinguished themselves in late 1938 and early 1939 by selling at new all-time highs, not only considerably above their bull market peaks of 1937 but even further above the best levels of halcyon 1929. Wrigley, which was somewhat less buoyant in the bull move of the latter part of 1938, held up better than the others in the more recent decline. Taking 1937 operating results, which seem likely to be approximated this year, American, currently quoted around 120, would appear the most attractive of the three on a times earnings basis, particularly in view of its marked longer term uptrend of earnings. Also, using an average of 1937 and 1938 dividend payments to arrive at an approximation of probable 1939 distributions, American has a slight edge in the matter of yield. And it is yield, together with the growth factor, that in this case must be given most weight rather than cyclical appreciation possibilities for the latter are comparatively limited by reason of the essentially stable nature of the business.

Variations in physical sales volume and in raw material costs are usually correlative and tend to be mutually offsetting in their effects on profits. Probably the principal operating risk factor is that pertaining to chicle supplies but this is scarcely of sufficient importance seriously to impair the semi-investment status of the gum makers' shares.

GUM MAKERS COMPARED

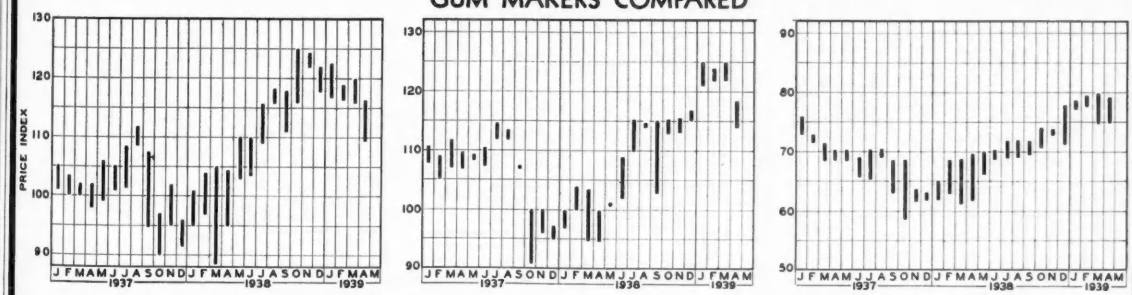


Chart		Earned Per Share 1st Quarter 1939	1938	Years Ended Dec. 31st 1938	1937	1932	1929	Dividends Paid or Declared To Date 1939	1938	Years Ended Dec. 31st 1937	1932	1929	Price Range 1939 High	Low	Recent Market Price
1	Amer. Chicle.	$1.98	$1.83	$7.54	$8.27	$3.76	$4.19	$3.00	$5.50	$7.00	$3.00	$2.00e	122¾	109½	120
2	Beech-Nut...	1.20	1.20	5.78	6.26	3.78	6.06	3.75	5.50	6.00	3.00	3.00f	135	113½	119
3	Wrigley......	1.11	0.73	3.88	4.43	3.63	5.80a	1.75	3.75	4.25	3.50b	4.00	80¼	75	80

a—Earnings peak was $6.15 in 1930. b—Dividend low was $3.00 in 1933. e—Plus 15% in stock. f—Plus 5% in stock.

Low Priced Stocks for Purchase at Special Buying Points

Well Managed, Financially Strong Companies

Selected by THE MAGAZINE OF WALL STREET STAFF

THE seven low priced issues selected for this discussion represent companies prominent in their respective industrial fields. All of them are well situated financially and tradewise and in each case current prospects promise an important improvement in operations and profits. Acquired at an opportune time, any or all of these issues should return a very satisfactory speculative profit. For the time being, however, commitments should be deferred until definite purchases are counselled in our stock market forecast by A. T. Miller, which appears regularly in the forepart of the MAGAZINE.

North American Aviation

Recent Price	1939 Price Range High	1939 Price Range Low	Dividend
16	19¾	12⅝	$0.40

North American Aviation is engaged exclusively in the manufacture of aircraft and parts. Output comprises single engine training, observation and basic combat planes, as well as twin-action bombers and commercial units. In recent years, a considerable portion of the company's output has gone to foreign governments in furtherance of rearmament plans. However, with the United States embarking on a large-scale expansion of Army and Navy air forces, domestic orders promise to bulk heavier over the next several years.

Last year total deliveries by North American Aviation were in excess of $10,000,000, the highest in the company's history and compared with deliveries of $3,469,735 in 1937. Net income in 1938 totaled $1,904,086, or equal to 55 cents a share on 3,435,053 shares of capital stock. On total sales last year, the company showed a margin of profit of nearly 19 per cent, substantially higher than that of the average aircraft manufacturer. The preponderance of foreign business, on which profits are larger, accounted for the superior results shown by North American Aviation.

Unfilled orders at the beginning of the current year amounted to $10,914,529, a figure which has since been substantially increased by foreign orders amounting to approximately $16,000,000 divided about equally between British and French air forces for training planes. Last March the company was a low bidder in competition for Army and track bombers, offering to build three hundred planes for $18,075,000. Although the latter order has not yet been definitely placed, the probabilities are that the company's backlog at the present time is in the neighborhood of $21,000,000. The latter figure would compare with about $18,000,000 last July.

In the first quarter of the current year North American Aviation reported net profit of $1,355,952, or the equivalent of 39 cents a share on 3,435,083 shares of capital stock. This compares with net equal to 6 cents per share in the corresponding period a year ago. Sales in the March quarter of this year were in excess of $6,000,000, as compared with $973,441 last year.

The company's manufacturing facilities are credited with being among the most efficient in the aircraft industry. The entire manufacturing plant has been equipped within the last three years and the company's production methods more nearly resemble those of the automobile industry than any other aircraft unit. Manufacturing technique has undoubtedly been aided by assistance from General Motors Corp., which owns some 29 per cent of the stock.

Last year the company liquidated bank loans of $750,000 and at the end of the year current assets, including $3,558,070 cash and marketable securities, amounted to $8,568,436 and current liabilities were less than $3,000,000. A dividend of 40 cents was paid last year.

For anyone seeking a stake in the aircraft industry, the shares of North American Aviation would appear to possess considerable attraction among lower priced issues.

Greyhound Corp.

Recent Price	1939 Price Range High	1939 Price Range Low	Dividend
19	21¾	14½	$0.80

Through various subsidiaries, Greyhound Corp. operates a nationwide system of bus lines. In the case of several of these subsidiaries, ownership is shared with various railroads, an arrangement which has afforded important and mutual advantages. In gaining for itself the reputation of providing superior equipment, travel-

ling conveniences, etc., the company has been able to more than hold its own against intensive competition.

Last year Greyhound Corp. reported net income, consisting largely of dividends received, of $4,000,605 and equity in undivided profits of $1,655,142, the total of $5,655,747 being equivalent, after preferred dividends, to $2.05 a share on the 2,675,122 shares of common stock. This compares with $5,129,423, or $1.85 a share, after preferred dividends, during 1937. In the face of the generally unfavorable conditions which prevailed throughout the greater part of last year, the company's showing may be regarded as exceptionally good. In the first three months of the current year, net of $168,783 was equal to 5 cents a share on 2,693,409 shares of common stock, or slightly less than the $197,021, equal to 6 cents a share in the corresponding months of 1938. The moderate decline this year reflected chiefly unfavorable operations in January and February. In later months, however, revenues have picked up without a disproportionate increase in mileage and operating expenses. Under the impetus of vastly increased travel toward both the New York and San Francisco World's Fairs, prospects favor a substantial improvement in current revenues and earnings. Moreover, revenues will be aided by contributions from the extensive bus system operating by a company within the confines of the New York World's Fair.

Ahead of the common stock are 327,253 shares of 5½ per cent preferred (par $10) stock. Dividends are being paid at the rate of 20 cents quarterly but on the basis of indicated earnings, some increase in this rate would appear justified. Acquired at an opportune time, Greyhound Corp. common stock would appear to possess definite speculative merit.

Spicer Mfg. Corp.

Recent Price	1939 Price Range High	1939 Price Range Low	Dividend
18	18⅜	11	$0.50

A leading supplier of parts for original equipment, the fortunes of Spicer Mfg. Corp. are closely identified with those of the automobile industry. The company's products include universal joints and propeller shafts, as well as axles, frames, shock-absorbers, transmission devices and clutches. One or more of these items are used by practically all the leading manufacturers, including Ford, General Motors, Hudson, Packard, Studebaker and most of the leading manufacturers of trucks and commercial vehicles.

With operations geared closely to the automobile industry, it is not surprising that earnings last year underwent a sharp decline. Net income totaled $296,874, which compares with $1,292,709 in 1937 and $1,488,760 in 1936. After allowing for dividends on the 70,000 shares of $3 preference stock, earnings available for the common in 1938 were equal to 29 cents a share, as compared with $3.61 a share in 1937. However, the closing months of 1938 marked the beginning of a definite turn for the better in the company's sales and earnings and this trend has carried through with increasing vigor this year. In the initial quarter net of $438,872 was equal, after preferred dividends, to $1.28 per share on the 300,000 shares of common stock. In the corresponding period a year ago the company reported a loss of $142,469. The probabilities are that for the second quarter earnings will be in the neighborhood of 50 cents per share, and for the full year, it appears that the company has an excellent opportunity to show earnings substantially in excess of $2 for the common stock.

At the end of 1938, the company reported current assets, including $1,455,000 cash, of $4,404,837 and current liabilities of $1,114,019. Earlier this year a bank loan of $1,000,000 was paid off. Late last year a dividend of 50 cents a share was paid on the common stock, the last previous payment of $2 having been made on October 15, 1937.

Recently quoted around 18, the shares are selling close to their 1939 high of 18⅜, while the latter compares with a 1937 high of 35. Frankly speculative, Spicer Mfg. Co. common stock, nevertheless, favored with a background of improving prospects, might be acquired to substantial advantage during periods of weakness in the general market.

Foster Wheeler Corp.

Recent Price	1939 Price Range High	1939 Price Range Low	Dividend
19	29¾	14¼	None

Foster Wheeler Corp. specializes in the production of boiler room and petroleum refining equipment. The company is one of the two principal designers and manufacturers of marine boilers and normally about 50 per cent of its gross sales are realized from steam plant equipment, the remainder being oil refining equipment and tubing. Foreign business makes up a substantial part of the company's activities, plants being maintained in Canada, England and France. Prior to the depression, public utility business accounted for about 50 per cent of the total volume, but in recent years the company has relied more heavily upon oil refinery and marine equipment. The most promising aspect of the company's outlook at this time is the large maritime and Navy construction program upon which the United States has embarked, under the slogan "Five Hundred Ships in Five Hundred Weeks." In addition, however, the public utility industry may be encouraged to add to present producing facilities and, in the oil industry, new processes for petroleum refining may contribute further to enlarge the source of potential demand.

Owing to the highly specialized nature of its business, and handicapped by an uninterrupted series of adverse circumstances, Foster Wheeler has as yet been unable to make any noteworthy recovery from the last depression. Losses were shown in every year since 1932. In 1937, however, on a gross sales volume of $10,566,517, the company showed a profit, after depreciation, of $62,000. On a slightly larger volume of orders last year, the company reported a profit, after depreciation and taxes, of $152,447. On the basis of the showing in these two years, it would appear that sales of approximately $10,000,000 represent the company's present break-even point. At the end of last December unfilled orders totaled $10,614,145, or slightly more than those of 1937. It has been officially reported that new business booked by the company this year compares favorably with the volume a year ago.

The company's capitalization is simple, being comprised of 16,728 shares of $7 preferred and 258,180 shares

of common stock. As of July 1, next, accumulated unpaid dividends on the preferred shares will total $47.25. Elimination of these dividends, however, would seem to present no insurmountable difficulty, with the benefit of any reasonable recovery in the company's earnings. In 1937, Foster Wheeler common sold as high as 54½ and as low as 11½, while the price range in 1938 was 29⅝ and 11. Thus far in the current year the price range was 29¾ and 14¼. Among low priced issues, Foster Wheeler would justify consideration as a potentially valuable stake in the heavier goods industries.

Spiegel, Inc.

Recent Price	1939 Price Range High	Low	Dividend
12½	16½	9½	None

Responding to the sustained level of retail activity this year, sales of Spiegel, Inc., for the first four months were better than 12 per cent ahead of the same period a year ago. April sales were off 9.8 per cent, but this was largely in reflection of earlier pre-Easter buying this year. The company specializes in the sale by mail-order of such merchandise as household products, wearing apparel, jewelry, hardware, automobile tires and accessories, plumbers' supplies, farm appliances and implements and various other items. Virtually all of the company's business is conducted on an installment basis and sales efforts are concentrated in small rural communities through the medium of catalogs and special "flyers." No stores are operated. During recent years, the company has eliminated many superfluous items of merchandise from its list, concentrating on those products which, in its experience, have a rapid turnover and lend themselves more readily to the company's sales policies. As a consequence, the company has been able to reduce operating costs and profit margins are somewhat larger than those of the larger mail-order enterprises.

For all of 1938, Spiegel reported net sales of $49,732,671, a decline of about 11½ per cent from the 1937 level. Net profit last year of $1,613,662 was equivalent, after dividends on the 100,000 shares of $4.50 preferred stock, to 91 cents per share on the 1,275,658 shares of common stock outstanding. In the preceding year, net profit after taxes and charges, and including a loss of $790,994 on closing out of forward commitments in commodities, was $2,571,403, or $1.66 a share for the common stock.

Current sales are running substantially ahead of last year and with the likelihood that current operating costs have been brought into closer control, the company would appear to have an excellent opportunity to show at least $2 per share for the common stock. Although speculative, this prospect would appear sufficiently assured to justify inclusion of the shares among the more attractive of low priced issues.

Ex-Cell-O Corp.

Recent Price	1939 Price Range High	Low	Dividend
19	24½	14¼	$0.80

Originally engaged in the manufacture of small precision tools, such as diamond drills, cutting, grinding and other devices, recent years have witnessed considerable expansion and diversification in the products of Ex-Cell-O Corp. Now included in the company's output are aircraft tool and engine parts, diesel engine fuel pumps, standardized car and locomotive bushings and, more recently, a machine which forms, sterilizes, fills, seals and dates single service containers for milk and other dairy products.

Formerly, the company was largely dependent upon takings by the automobile manufacturers. With diversification, however, this dependence upon a single industry has been decreased to good advantage. Last year, despite the substantial decline in automobile production, earnings held up relatively better than in the case of most automobile parts suppliers. Although the company's business is predominantly domestic, exports account for a fairly sizable proportion of total sales volume.

Net for the year ended December 31, last, totaled $437,677 and was equal to $1.11 per share on 393,345 shares of stock, comprising the company's entire capitalization. The showing last year contrasted with net of $655,618, or $1.69 per share on a somewhat smaller number of shares in 1937. In the first quarter of the current year the company's net profit was $149,771, equal to 38 cents per share on 394,750 shares of stock. In the corresponding period a year ago net was equal to 33 cents per share. Financial position, at last reports, was comfortable and earnings provided an adequate margin of safety for the present 20-cent quarterly dividend.

This year, sales and earnings promise to derive considerable impetus from the re-tooling activities both on the part of the Government and private industry. Increased industrial demand emanating from such sources as automobile manufacturers, aircraft manufacturers and rearmament activity, is likely to further swell the total volume. Further expansion in the sale of the company's milk container machine is another promising factor.

Recent quotations of around 19 compare with a 1939 high of 24½ and a low of 14¼. Among low priced issues, the shares of Ex-Cell-O Corp. would appear worthy of inclusion in a speculative program.

Container Corp.

Recent Price	1939 Price Range High	Low	Dividend
11	16½	9⅜	None

Container Corp. is the foremost manufacturer of a large variety of paperboards, utilized in various forms and combinations in the production of paper boxes, cartons, packing and shipping containers. Included among the company's extensive list of customers are many of the processors of nationally advertised food products, dairy products, medicinal preparations and alcoholic beverages. The company's manufacturing facilities are closely knit and include seven paper mills located with particular regard to the supply of raw materials, while manufacturing facilities are located at strategic industrial points.

Although a considerable portion of the company's output is taken by manufacturers of consumers goods, of the type less subject to variations in the volume of industrial activity, this condition has not prevented earnings of Container Corp. from fluctuating widely with the rise and fall in the tide of general (*Please turn to page* 206)

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET will answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities.*
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. If not now a paid subscriber use coupon elsewhere in this issue and send check at same time you transmit your inquiry.

Special rates upon request for those requiring additional service.

New Jersey Zinc Co.

My investment in New Jersey Zinc amounts to 75 shares acquired at approximately 20 points above its current price of 52. As an armament beneficiary and a manufacturer whose products are widely accepted, do you believe that this stock can recover its lost ground when the general market trend again turns up? Are zinc prices being maintained at profitable levels?—L. B., Washington, D. C.

The report of New Jersey Zinc Co. for the quarter ended March 31, 1939, revealed a net profit of $1,076,266, equal to 55 cents a share on the 1,963,264 shares of capital stock, against $652,596, or the equivalent of 33 cents a share the year before. Considerable progress has been made over recent years in reducing operating costs and this has enabled the organization to offset in part the generally lower prices for most of its products. Moreover, the company continues to enjoy a relatively stable income from royalties on patents covering smelting methods, on which licenses have been granted abroad. The greater volume of building construction now in evidence may be expected to react favorably upon demand for zinc oxide, particularly, on which profit margins are wider than on zinc itself, and accordingly, indications are that the year as a whole will enable the company to surpass the $1.64 a share recorded in 1938. Given some pick-up in industrial activity later in the year, together with the world armament purchases, there should be a firming in prices and demand for the products of the company. In the meantime, dividends should be continued at the present $2 rate which was the total paid in 1938, with the possibility of increased disbursements later in this year. We believe that the stock is in a position to reflect any improvement in the general business picture and that continued representation therein will work to your advantage, both from the standpoint of dividend income and price appreciation.

White Rock Mineral Springs Co.

Would you advise me to average down at the current price of 5¼ on my 200 shares of White Rock common, bought at 16¾? Do you think that the reported earnings of 58 cents per share on the common for 1938, in spite of strikes and other difficulties affecting the company, indicate a promising earnings future for this stock in 1939, given a more settled outlook for business and consumer purchasing power? Are earnings expected to rise substantially during the summer season?—W. R., Schenectady, N. Y.

Due largely to a decline in sales, White Rock Mineral Springs Co. reported for the year 1938 earnings well below the preceding year, with the equivalent of 58 cents a share on the common stock comparing with $1.34 a year before. Preceding the common, which is outstanding in the amount of 247,500 shares, are $1,230,800 in 7% 1st preferred (par $100), and $50,000 in $5 2nd preferred (par $100). While directors have continued regular preferred dividends to date, no payments have been made on the common since the 25 cents paid on December 28, 1938. The company has encountered increasing competition from local charged-water beverage companies which have been able to undersell the subject company's product. This situation has been accentuated by the generally low level of consumer purchasing power and the resultant trend toward the less expensive artificially carbonated product, while the increasing employment of ordinary tap water as a mixer for Scotch, particularly, has also doubtless been a factor. However, the balance sheet position of White Rock continues strong and at the last year-end, current assets of $1,225,050, including cash and marketable securities alone of over $856,000, compared with current liabilities of only $107,397. Thus, the organization is in a position to

When *Quick* Service Is Required, Send Us a Telegram Prepaid and Instruct Us to Answer Collect.

continue to carry on with the advertising necessary to the success of this type of business and given an improvement in general conditions and the spending habits of the public, an improvement in sales volume should be recorded. However, until there is some indication that the earnings trend has turned upward, we do not recommend averaging down on your holdings, although your present commitment may well be left undisturbed for the present.

American Encaustic Tiling Co., Inc.

Do the price appreciation possibilities of American Encaustic Tiling warrant retention of 150 shares of this stock bought at 11¾? I have been encouraged by the 30% gain in sales for the first quarter over the initial 1938 quarter. Has the company a large enough backlog or outlook for new orders from the building industry to indicate that the increased rate of sales will continue? Are profit margins increasing proportionately to sales?—C. E., Detroit, Mich.

The improvement which has occurred this year in residential construction has, as you point out, enabled American Encaustic Tiling Co., Inc., to record some betterment in its business and for the first quarter of the year, a profit of $3,869, equal to one cent a share, contrasted with $21,348 loss for the like period of 1938. Indications are that operations will continue to compare favorably with a year ago, although the rate of increase probably will be less pronounced until there is an all-around pick-up in business conditions and employment. Profit margins likely will continue narrow until such time as the production capacity of the industry is more fully utilized. The balance sheet dated December 31, 1938, showed current assets of $220,652, including cash of $52,087, against current liabilities of $51,628. While the company has no funded debt, it owes to the Reconstruction Finance Corp. some $268,500; $150,000 of which falls due on February 1, 1940. Since incorporation of the present company in 1936, it has never reported a profit for a full year and it is apparent that the stock, now quoted around 3, cannot be regarded as other than highly speculative. Nevertheless, with the government actively interested in the promotion of building construction, and with considerable progress already having been recorded in this field, the possibility of an improvement in the subject organization's earnings performance during the current year and probably at least into next year, makes further retention of your holdings desirable at present low quotations.

Youngstown Sheet & Tube Co.

I am a stockholder of Youngstown Sheet & Tube common to the extent of 75 shares acquired at 81. Are efficiencies being introduced to bring satisfactory profits through operations at the present or a somewhat lower rate of capacity? Can this independent successfully meet competition of large companies in view of the basing point differentials and high production costs?—B. A., Boston, Mass.

Report of Youngstown Sheet & Tube Co. for the initial quarter of the current year revealed net income of $217,107 equal, after allowing for preferred dividend requirements, to less than a cent a share on the common stock, against a loss of $139,529, or a deficit of 21 cents a share on the common for the March quarter of 1938. High taxes and wages present a serious problem to the organization and with the price structure at a level below a year ago, the organization will have to have a considerable improvement in volume business before worthwhile earnings can be recorded on the common stock. Late last year the company sold $30,000,000 of 4% convertible debenture bonds, $12,500,000 of which was used to repay bank borrowings, the balance being utilized to improve plant capacity. When these improvements and additions are completed, it is expected that costs will be lowered substantially and this should ultimately find reflection in an improved earnings position for the common stock. While earnings of the company have been erratic during recent years, as has also been true of its competitors, the organization is a substantial earner during more normal years and given some improvement in the industry generally, little question would seem to exist as to its ability to report earnings sufficient to support materially higher prices in the market for the stock. As a speculation on possible improvement in the steel industry later in the year, we feel that the stock offers interesting possibilities and suggest full retention of your holdings.

Boeing Airplane

Are your security analysts favorably inclined toward Boeing Airplane? Have the tremendous research and labor costs been reduced to a point where the company can profitably supply its United States and foreign customers with "Flying Fortress" and "Clipper" ships? Should a near-term response in earnings be anticipated from the company's newly-developed twin engine attack bombers and other low cost planes? I hold 100 shares of this stock acquired at 39¾.—F. B., Cincinnati, Ohio.

In the manufacture of military aircraft the Boeing Airplane Co. has long held a strong position and in the past two years the company has made an effective bid for the leadership in the manufacture of larger and faster land transport planes and ocean-flying clippers, following long research. The years spent in costly research and development work should soon prove worthwhile in the form of increasing orders for its products. The company had had sizable repeat orders for its "Flying Fortress" bombers, but due to unexpected higher operating costs, the cost of both the "Flying Fortress" and "Clipper" ships have been higher than anticipated. As a result, operations in 1938 showed a loss of $544,958, after a provision of $488,068 for reducing inventory value of six flying boats to estimated proportionate sales value. The Stearman division of Boeing, manufacturing lighter training planes and military craft operated profitably during 1938 and the near-term outlook for this branch of the company is promising. A moderate profit is looked for this year by Boeing and, while its prospects are of a long-range variety, we counsel retention of your 100 shares.

Congoleum-Nairn, Inc.

I paid 41⅛ for my 100 shares of Congoleum-Nairn. Have lower selling prices retarded profits in spite of growing volume from large building demand? Are they currently increasing? Are the company's new products proving profitable? Do you advise me to hold?—M. T., San Francisco, Calif.

Considering the wide fluctuations in business activity and consumer purchasing power over recent years, the earnings record of Congoleum-

g possibili-
tention of

e

favorably in-
? Have the
costs been re-
company can
tates and for-
Fortress" and
term response
om the com-
engine attack
anes? I hold
ired at 39%.

of military
ne Co. has
ion and in
mpany has
the leader-
of larger
planes and
owing long
t in costly
ent work
while in the
rs for its
had had
its "Flying
due to un-
costs, the
Fortress"
have been
As a re-
showed a
provision of
inventory
estimated
lue. The
ing, manu-
planes and
profitably
r-term out-
e company
te profit is
Boeing and,
of a long-
l retention

, Inc.

ares of Con-
ling prices re-
owing volume
Are they cur-
mpany's new
Do you advise
isco, Calif.

fluctuations
consumer
cent years,
Congoleum-

Nairn, Inc., has been a remarkable one, with net earnings having been recorded on the common stock in every year since 1929. Last year, the company reported earnings equal to $1.02 a share on the common stock, as against $2.03 a share in 1937 and $2.05 in 1936. Prices were reduced rather substantially earlier in the year, while volume business was naturally hurt by the decline which occurred in business volume generally. Effective January 1 of the current year, however, the company announced a 6% price increase on its felt-base floor coverings, thereby establishing a better price situation than obtained during the greater part of 1938. Indications are that the increasing residential construction noted throughout the country will work to the company's benefit and expanding volume is indicated for the company's well-known floor and wall coverings, increasing employment of which has been developed during recent years. Last year, the company paid dividends totaling 75 cents a share and payments declared thus far this year total 50 cents a share, including the 25-cent dividend payable on June 15. Since financial condition is strong and capitalization consists solely of 1,243,000 shares of common stock, an upward revision of dividends should promptly follow any betterment in earnings. Prospects currently appear relatively favorable and we recommend further holding of your shares for income and price appreciation when market conditions improve.

Champion Paper & Fibre Co.

I bought 50 shares of Champion Paper & Fibre some time ago at 53. Should I hold? Are the full benefits of the company's new paper coating process and plant expansion program yet to be derived? Are increased volume and better prices in prospect for the peak late Spring season?—J. F., Mobile, Ala.

The Champion Paper & Fibre Co. is one of the leading manufacturers of papers for printing and commercial uses. Pulp, book paper, bond, tablet and envelope papers, container, board, kraft and manila papers are manufactured in two plants in Ohio and North Carolina, while a third plant in Texas supplies bleached sulphate pulp to the Ohio unit. Other activities include production of tannic acid and chemicals.

(*Continued on page 206*)

Research Makes RCA the Symbol of the Radio Age

Every schoolboy has heard of the Stone Age, the Iron Age, the Age of Steam. It is not unlikely that the schoolboy of the future will hear his history teacher refer to the twentieth century as "The Radio Age."

Marconi's first transatlantic message in 1901... the creation of the Radio Corporation of America in 1919... the formation of the National Broadcasting Company in 1926... the public introduction of television by RCA in 1939... these are just a few significant milestones which identify the age we live in with the swift progress of radio.

All the public services of radio... in communications, in broadcasting, in the creation of instruments for sending and receiving sound and sight through the air... have grown out of the research work carried on year after year by radio scientists. Radio without research would be like a well without a spring. Each year brings to radio new services, new devices, new improvements that have originated in the RCA Laboratories... the world's largest organization devoted to every phase of radio research. That is one reason why the three letters... R C A... are often called "The Symbol of the Radio Age"... See exhibit of all RCA services—including Television—in RCA Building at New York World's Fair.

RCA

Radio Corporation of America
Radio City, N. Y.
NATIONAL BROADCASTING CO. RADIOMARINE CORP. OF AMERICA RCA LABORATORIES
RCA MANUFACTURING CO., INC. R. C. A. COMMUNICATIONS, INC. RCA INSTITUTES, INC.

Substantial Profits on Small Capital!

Exceptional Short-Term Profit Possibilities Now Developing in Low-Priced Common Stocks

SOUND common stocks, low and moderate in price, form our Unusual Opportunities Program. Price alone, however, is not enough. On account of this very factor, all issues considered have to be listed on the New York Stock Exchange and pass a rigorous test made by our analysts.

Every stock approved must have a sound capital structure, outstanding earnings prospects and enjoy a broad market. The company must be ably managed and represent an industry that has a promising future. Above all, the issue must hold ***unusual*** price appreciation possibilities.

Take Advantage of This Situation!

In the current market phase, many low-priced stocks are close to their lows of March and May 1938.

Such stocks, usually in weak hands, sell off drastically in the early stages of a decline. Many, due to necessitous selling, are carried down to extreme bargain levels and establish new bases long before the general market.

These selected issues are among the first to rebound sharply and show substantial percentage gains.

Only $1000 Required . . . This Unusual Opportunities Program is one of the most popular provided by THE FORECAST. With $1000, it may be followed in 10 share lots on an outright basis. Of course, with a larger amount, you may proportionately increase your operating unit. The maximum number of stocks carried at one time is five. Capital or collateral goes a long way in taking advantage of these low and moderate priced opportunities.

Profits of 5 to 10 Points . . . In the current market phase, many selected stocks that meet our Unusual Opportunity qualifications are selling within our price limit. Throughout recent market movements, these issues have been reanalyzed. From this group, our recommendations will be made as new bases are established. Temporarily quoted under 15, these stocks can rebound into the 20-25 price range.

Consequently, profits of 5 to 10 points should be quickly available in such issues. They should prove most profitable mediums for the replacement of present holdings that face a dubious outlook. You may switch 25 shares of a stock around 30, into 50 of a stock at 15, and materially enhance your profit prospects.

2 Stocks Selected . . . Two Unusual Opportunities . . . averaging around 14 . . . have been selected. They will be recommended to you as a FORECAST subscriber . . . when our market technicians feel that the most advantageous time for you to buy has arrived.

Commitments will then be kept under our continuous supervision and we shall advise you . . . by telegram and by mail . . . when to close them out and whether to keep your funds liquid or make new purchases.

Mail the coupon below to take an advantageous position in these two Unusual Opportunities.

THE INVESTMENT AND BUSINESS FORECAST
of The Magazine of Wall Street

90 BROAD STREET — **CABLE ADDRESS: TICKERPUB** — **NEW YORK, N. Y.**

I enclose ☐ $75 to cover a six months' test subscription ☐ $125 to cover a full year of The Investment and Business Forecast with service starting at once but dating from July 15, 1939. I understand that regardless of the telegrams I select, I will receive the complete service by mail. ☐ Check here if FREE Air Mail is desired in the United States and Canada where it expedites delivery of our bulletins.

Send me collect telegrams on all recommendations checked below. (Wires will be sent you in our Private Code after our Code Book has had time to reach you.)

☐ **UNUSUAL OPPORTUNITIES**	**Low priced Common Stocks for Market Appreciation. Two or three wires a month, on average. Maximum of five stocks carried at a time. $1,000 capital sufficient to buy 10 shares of all recommendations on an outright basis.**
☐ **TRADING ADVICES**	**Active Common Stocks for Short Term Profit. Two or three wires a month, on average. Maximum of five stocks carried at a time. $2,000 capital sufficient to buy 10 shares of all recommendations on an outright basis.**
☐ **BARGAIN INDICATOR**	**Dividend-paying Common Stocks for Profit and Income. One or two wires a month, on average. Maximum of five stocks carried at a time. $2,000 capital sufficient to buy 10 shares of all recommendations on an outright basis.**

NAME .... **CAPITAL OR EQUITY AVAILABLE**..........

ADDRESS ....

CITY .... **STATE** .... **June 3**

Continuous Consultation Service Provided. List Your Securities Now for Our Analysis.

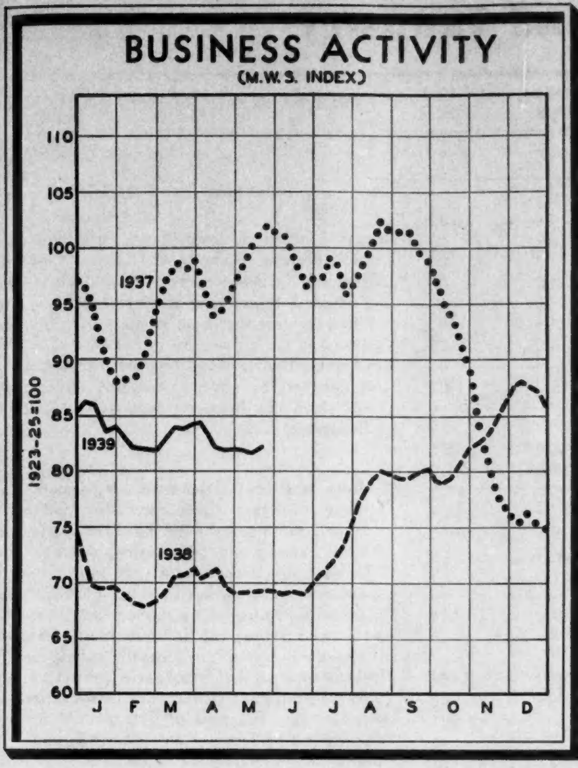
New Campaign Offer

•

Your subscripion will start at once but date from July 15

•

We serve only in an advisory capacity, handle no funds or securities and have no financial interest in any issue or brokerage house. Our sole objective is the growth of your capital and income through counsel to minimize losses and secure profits.



CONCLUSIONS

INDUSTRY—Remainder of second quarter to witness sharp improvement, barring labor trouble.

TRADE—Department stores sales spurt sharply.

COMMODITIES—Wheat, cotton and silk lead advance in raw material prices.

MONEY AND CREDIT—Excess reserves at new peak. Circulation declines.

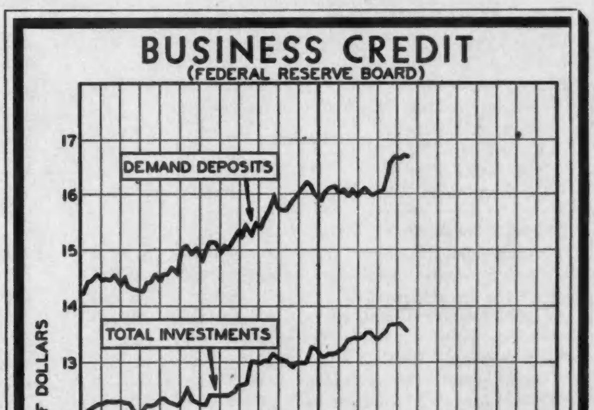
The Business Analyst

Production and trade are likely to expand rather sharply during the next few weeks while the reopened **coal** mines operate at near capacity to replenish depleted consumer inventories. This will be reflected directly in the coal production component of our **business activity** Index, and indirectly through carloadings, electric power output, check payments and the steel ingot rate. Looking a little farther ahead it seems fairly probable, in the absence of serious labor trouble in the automobile industry and further war scares, that business activity will expand to the best level of the current year before June is ended and so bring the second quarter's average up to that of the first quarter.

* * *

For the month of April, **new capital** raised through flotation of corporate securities came to $77,000,000 compared with only $12,000,000 during the like period of 1938. The total for four months has been $160,000,000, against $123,000,000 last year. Cash **dividends** declared in April were only 1% below last year; while **farm income,** including benefit payments, gained 1%, compared with a four months' decrease of nearly 1%. **Inventories** of finished and semi-finished goods increased a little more than seasonally during March; but stocks of raw

(Please turn to next page)



Business and Industry

	Date	Latest Month	Previous Month	Last Year
INDUSTRIAL PRODUCTION (a)	Apr.	92	98	77
INDEX OF PRODUCTION AND TRADE (b)	Apr.	82	84	73
Production	Apr.	78	81	67
Durable Goods	Apr.	64	67	44
Non-durable Goods	Apr.	87	90	80
Primary Distribution	Apr.	74	78	70
Distribution to Consumers	Apr.	94	93	86
Miscellaneous Services	Apr.	81	80	79
WHOLESALE PRICES (h)	Apr.	75.9	76.7	78.7
COST OF LIVING (d)				
All items	Apr.	85.0	84.9	86.8
Food	Apr.	78.2	78.0	81.1
Housing	Apr.	86.2	86.1	87.2
Clothing	Apr.	72.2	72.3	75.1
Fuel and Light	Apr.	85.2	85.8	85.7
Sundries	Apr.	96.7	96.7	97.6
Purchasing value of dollar	Apr.	117.6	117.8	115.2
NATIONAL INCOME (cm)†	Mar.	$5,505	$5,093	$5,311
CASH FARM INCOME†				
Farm Marketing	Apr.	$463	$487	$488
Including Gov't Payments	Apr.	553	582	548
Total, First 4 Months	1939	2,240	......	2,227
Prices Received by Farmers (ee)	Apr.	89	91	94
Prices Paid by Farmers (ee)	Apr.	120	120	125
Ratio: Prices Received to Prices Paid (ee)	Apr.	74	76	75
FACTORY EMPLOYMENT (f)				
Durable Goods	Mar.	83.4	82.6	79.3
Non-durable goods	Mar.	98.9	98.4	95.8
FACTORY PAYROLLS (f) (not adjusted)	Mar.	86.8	85.4	77.1
RETAIL TRADE				
Department Store Sales (f)	Apr.	88	88	83
Chain Store Sales (g)	Apr.	110.0	109.8	105.0
Variety Store Sales (g)	Apr.	114.3	113.6	108.6
Rural Retail Sales (j)	Apr.	125.2	123.7	112.3
Retail Prices (s) as of	May 1	89.1	89.1	90.2
FOREIGN TRADE				
Merchandise Exports†	Apr.	$230.9	$268.4	$274.5
Cumulative year's total† to	Apr. 30	930.9	......	826.3
Merchandise Imports†	Apr.	186.2	190.4	159.8
Cumulative year's total† to	Apr. 30	713.0	......	666.8
RAILROAD EARNINGS				
Total Operating Revenues*	1st 3 Mos.	$897,774	......	$813,163
Total Operating Expenditures*	1st 3 Mos.	693,925	......	676,923
Taxes*	1st 3 Mos.	86,241	......	84,244
Net Rwy. Operating Income*	1st 3 Mos.	85,808	......	19,963
Operating Ratio %	1st 3 Mos.	77.29	......	83.25
Rate of Return %	1st 3 Mos.	1.78	......	0.41
BUILDING Contract Awards (k)	Apr.	$330.0	$300.7	$222.0
F. H. A. Mortgages				
Selected for Appraisal†	Apr.	105.7	121.7	94.2
Accepted for Insurance†	Apr.	65.0	63.5	63.3
Premium Paying†	Apr.	46.3	50.2	25.8
Building Permits (c)				
214 Cities†	Apr.	$76.5	$97.3	$68.6
New York City†	Apr.	18.7	21.3	16.2
Total, U S.†	Apr.	95.2	118.6	84.8
Engineering Contracts (En)†	Apr.	$240.7	$285.6	$193.4

PRESENT POSITION AND OUTLOOK

(Continued from page 197)

material fell to the lowest level since September, 1936, thereby pointing to a strong technical situation in primary commodities which is being reflected in firmer **raw material prices.** Add to this the fact that Europe on a war footing is consuming more than she produces and that the Administration is incubating another big spending program to cover its business appeasement fiasco, and you have the makings of a possible inflation boomlet.

* * *

Raw material prices have advanced to an average level that is 6% above last year—corn, iron and petroleum being the only staple commodities among the 14 entering into our Index which are still lower than a year ago. The most spectacular advance has been in raw silk, which is up 66%; followed by rubber, which has risen 44%; and tin, up 35%. Obviously, America is already being taxed indirectly to help pay for foreign armaments. **Wholesale prices** are now only 2% below last year, with **retail prices** off merely 1%. The **cost of living** increased fractionally during March; but is still 2% under last year and 14% below the 1929 level.

* * *

Inter-relationships between **wages, employment,** working hours and the mechanization of industry were brought out recently in startling relief through data released by the U. S. Steel Corporation, from which it appears that, while tonnage output of finished **steel** was about 15% less in 1937 than in 1929, number of men employed increased 3%. Meanwhile tonnage output per man-hour fell about 4%; while weekly wages rose 2.7%, as the resultant of an advance to 86, from 69, in hourly wages and a reduction to 38, from 46, in number of hours worked per week. Labor costs per ton increased 30% to $34, from $26.

* * *

Reflecting the earlier Easter and later Mother's day this year, **department store sales** for week ended May 13 were 22% ahead of last year, compared with a four weeks' gain of 6%. For the month of April there was a decline of 1%; but **chain store sales** rose nearly 7%, with **mail order** houses reporting an average increase of 14.5% and **variety stores** gaining 3.4%.

* * *

With the resumption of soft coal shipments, **carloadings** have risen sharply to around the best level of the year. Early reports indicate that **railroad** n. o. i. for April showed a wider gain over last year than in March, despite the coal strike.

* * *

Construction contracts awarded during April in 37 States East of the Rockies were 49% ahead of the like month of 1938 and the largest for any April since 1931. Four months' total was $1,102,561,000—47% above last year, with **residential** awards up 73%.

	Date	Latest Month	Previous Month	Last Year
STEEL				
Ingot Production in tons★	Apr.	2,987	3,365	1,925
Pig Iron Production in tons★	Apr.	2,056	2,395	1,376
Shipments, U. S. Steel in tons★	Apr.	701	768	502
AUTOMOBILES				
Production				
Factory Sales	Apr.	337,372	371,940	219,310
Total 1st 3 Months	1939	1,346,305	......	837,164
Retail Sales				
Passenger Cars, U. S. (p)	Mar.	247,860	164,942	181,218
Trucks, U. S. (p)	.....	44,909	35,102	37,278
PAPER (Newsprint)				
Production, U. S. & Canada★ (tons)	Apr.	298.2	300.6	259.6
Shipments, U. S. & Canada★ (tons)	Apr.	291.7	286.7	271.5
Mill Stocks, U. S. & Canada★ (tons)	Apr.	232.6	226.0	202.6
LIQUOR (Whisky)				
Production, Gals.★	Apr.	8,442.6	9,983.7	8,244.1
Withdrawn, Gals.★	Apr.	5,736.7	6,794.1	4,938.6
Stocks, Gals. as of★	Apr. 30	477,135.3	......	470,446.1
GENERAL				
Machine Tool Orders (f)	Apr.	155.6	185.4	90.3
Railway Equipment Orders (Ry)				
Locomotive	Apr.	19	63	3
Freight Cars	Apr.	2,695	1,000	None
Passenger Cars	Apr.	14	60	1
Cigarette Production†	Apr.	12,269	14,244	12,527
Bituminous Coal Production★ (tons)	Apr.	10,747	35,290	21,671
Boot and Shoe Production Prs.★	Apr.	37,500(pl)	42,226	33,467
Portland Cement Shipments★	Mar.	1,123	963	1,167
COMMERCIAL FAILURES (c)	Apr.	1,140	1,123	1,172

PRESENT POSITION AND OUTLOOK

Automobile sales during the first 10 days of May were 6% above the daily rate in April and 45% ahead of the like period a year ago, and it is now expected that production this year, barring serious labor trouble, will top 1938 by 40%. Taking advantage of the greatest price demoralization in years on sheets, bars and strips, the automotive industry has placed heavy orders for its new model requirements at an estimated saving of $5 a car on production costs.

* * *

Cigarette withdrawals during April, following the sharp bulge in March, dipped 2% below the volume for April, 1938. Cigar output, however, topped last year by nearly 5%, while Snuff gained 2%. April **shoe** output is estimated to have exceeded last year by 12%. While May is expected to show a 15% increase, compared with 16% for four months.

* * *

Machine tool orders for April dropped 16% from March; but were 72% above last year. Foreign buying has remained remarkably steady during each month since August, 1938; while, until April, domestic orders expanded consistently, rising from an average of 48% of the total last year to 59% in March of the current year.

WEEKLY INDICATORS

	Date	Latest Week	Previous Week	Year Ago
M. S. W. INDEX OF BUSINESS ACTIVITY 1923-25—100	May 20	82.3(pl)	81.8	58.8¾
ELECTRIC POWER OUTPUT				
K.W.H.†	May 20	2,170	2,171	1,968
TRANSPORTATION				
Carloadings, total	May 20	615,966	555,396	547,789
Grain	May 20	34,284	34,370	32,160
Coal	May 20	92,721	43,222	87,200
Forest Products	May 20	30,088	30,573	25,870
Manufacturing & Miscellaneous	May 20	253,587	252,904	220,210
L. C. L. Mdse	May 20	152,781	152,161	148,768
STEEL PRICES				
Pig Iron $ per ton (m)	May 23	20.61	20.61	23.25
Scrap $ per ton (m)	May 23	14.08	14.08	11.25
Finished c per lb. (m)	May 23	2.236	2.236	2.487
STEEL OPERATIONS				
% of Capacity week ended (m)	May 27	48.0	45.5	28.5
CAPITAL GOODS ACTIVITY (m) week ended	May 20	59.4	59.1	46.5
PETROLEUM				
Average Daily Production bbls.★	May 20	3,438	3,403	3,176
Crude Runs to Stills Avge. bbls.★	May 20	3,460	3,400	3,201
Total Gasoline Stocks bbls.★	May 20	84,294	84,808	88,825
Fuel Oil Stocks bbls.★	May 20	119,405	108,513	109,405
Crude—Mid-Cont. $ per bbl	May 27	1.02	1.02	1.27
Crude—Pennsylvania $ per bbl	May 27	1.48	1.48	1.75
Gasoline—Refinery $ per gal	May 27	.06⅛	.06	.06½

PRESENT POSITION AND OUTLOOK

Electric power output is still showing the comparatively small gain of 10% over last year, being held down by unseasonably cold weather; but should soon begin to expand again with improvement in industrial activity. Utility earnings for the current quarter are expected to reach an eight-year peak and top last year by around 20%. There is a growing sentiment in Congress favoring restriction of TVA operations and reimbursement of states and municipalities for tax losses.

* * *

Necessity of conserving coal reserves having been removed by settlement of the Appalachian mines strike, the **steel operating rate** has risen sharply as the mills begin rolling for future delivery the huge quantity of sheets, strips and bars ordered recently by the automotive industry at cut-throat prices. By spreading out production on this business at a fairly uniform rate it is hoped that costs may be reduced to a point that will permit a little profit; but, as these shapes constitute around 60% of total production, the industry's earnings outlook for the remainder of the year is none too encouraging.

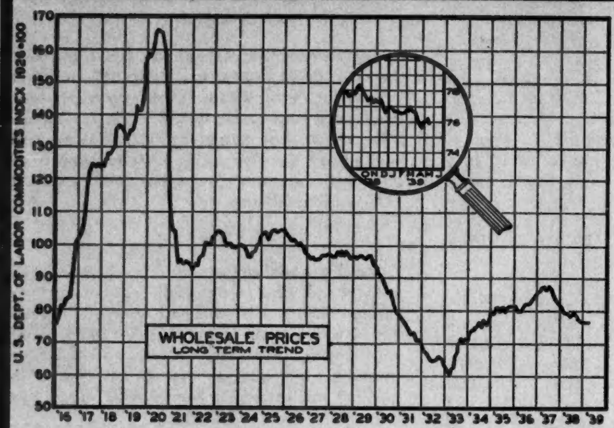
* * *

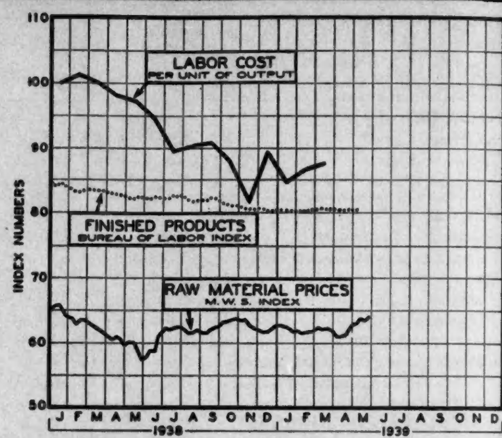
Recent advance in tank wagon **gasoline** prices should bring moderate increase in profit margin of refiners.

†—Millions. ★—Thousands. (a)—Federal Reserve 1923-25—100. (b)—Federal Reserve Bank of N. Y. 100%—estimated long term trend. (c)—Dun & Bradstreets. (cm)—Dept. of Commerce estimates of income paid out. (d)—Nat. Ind. Conf. Bd. 1923—100. (e)—Dept. of Agric., 1924-29—100. (ee)—Dept. of Agric., 1909-14—100. (f)—1923-25—100. (g)—Chain Store Age 1929-31—100. (h)—U.S.B.L.S. 1926—100. (j)—Adjusted—1929-31—100. (k)—F. W. Dodge Corp.. (m)—Iron Age. (n)—1926—100. (pl)—Preliminary. (s)—Fairchild Index, Dec. 1930—100. (En)—Engineering News Record. (Ry)—Railway Age. (n. i. c. b.)—Nat. Ind. Conf. Bd. 1936—100.

Trend of Commodities

Over the past fortnight commodity prices have given the appearance of uniform strength. Actually, however, the most conspicuous gains were scored by wheat and cotton, while prices of rubber, hides and silk were up slightly. Special conditions in individual commodities rather than any change in the cautious buying policies of processors have acounted for recent gains and for the most part buyers remain content to replenish their inventory needs only to the extent of more immediate requirements. Notwithstanding the sustained volume of finished goods sales, resulting in a corresponding depletion in inventories, buyers in persistantly holding to a hand-to-mouth policy clearly indicate their belief that with productive and manufacturing capacity greatly in excess of any demand which can be visualized over the near term any marked increase in raw material costs is not to be feared.





Changes in Major Commodity Price Groups for the Fortnight Ended May 21, 1939

Farm Products	64.1	up 0.5	Metals	93.5	down 0.5
Foods	67.4	down 0.9	Building Material	89.3	down 0.3
Hides and Leather	92.2	up 0.4	Chemical	75.7	no change
Textiles	67.0	up 0.2	Housefurnishings	86.9	up 0.1
Fuel and Lighting	74.4	down 0.2	Miscellaneous	73.7	down 0.6

	Date	Latest Wk. or Mo.	Previous Wk. or Mo.	Year Ago
COTTON				
Price cents per pound, closing				
July	May 27	8.90	8.76	8.01
October	May 27	8.33	7.91	8.04
Spot	May 27	9.77	9.76	8.01
(In bales 000's)				
Visible Supply, World	May 26	7,489	7,526	8,554
Takings, World, wk. end	May 26	270	387	272
Total Takings, season Aug. 1 to	May 26	15,086	14,816	15,394
Consumption, U. S.	Apr.	547	649	413
Exports, wk. end	May 26	44	43	35
Total Exports, season Aug. 1 to	May 26	3,101	5,245	5,285
Government Crop Est. (final 000's)	1938	11,943(ac)	......	18,946(ac)
Active Spindles (000's)	Apr.	22,109	22,472	21,773
WHEAT				
Price cents per bu. Chi. closing				
July	May 27	78	74⅛	72
September	May 27	78	73⅝	73⅜
Exports bu. (000's) since July 1 to	May 20	120,531	116,414	114,306
Exports bu. (000's) wk. end	May 20	4,117	3,202	2,574
Visible Supply bu. (000's) as of	May 20	60,151	62,150	32,395
Gov't Crop Est. bu. (winter 000's)	May 1	543,928	549,219	686,737(ac)
CORN				
Price cents per bu. Chi. closing				
July	May 27	50¾	50¾	56⅝
September	May 27	52¼	41¼	57¾
Exports bu. (000's) since July 1 to	May 20	68,381	68,209	64,805
Visible Supply bu. (000's) as of	May 20	33,127	34,228	31,144
Gov't Crop Est. bu. (final 000's)	1938	2,408,958(ac)	......	2,644,995(ac)

PRESENT POSITION AND OUTLOOK

Cotton. Secretary Wallace has outlined a four-point program for cotton, which includes both crop loans and benefit payments, increased efforts to expand domestic consumption, an export subsidy and a revival of the processing tax. The export subsidy will be aimed to bring exports up to a minimum of 6,000,000 bales. Meanwhile the tight situation in spot cotton and the prospects of higher mill wages have given considerable impetus to gray goods sales. The whole cotton situation as it now shapes up, particularly from a legislative angle, may well give the appearance from this point on of being much stronger than it actually is—with the tax-payers footing the bill.

* * *

Wheat. As the past week drew to a close beneficial rains were reported over a large area of the North American wheat belt. The recent sharp upturn in wheat started under the impetus of adverse weather conditions resulting from a lack of moisture, but despite much needed rains all contracts scored new highs for the season. Bullishness was promoted by the sharp rise in flour prices and the belief that the more generous loan policy scheduled for the current crop justified higher prices. Eighty-cent wheat is being talked of.

* * *

Corn. Corn prices have in some measure reflected the rise in wheat despite negligible export demand and retarded planting in some important growing sections owing to dry weather. December contracts established a new high for the season.

	Date	Latest Wk. or Mo.	Previous Wk. or Mo.	Year Ago
COPPER				
Price cents per lb.				
Domestic	May 27	10.00	10.00	9.00
Export c. i. f.	May 27	10.07½	9.92-9.95	8.15-8.25
Refined Prod., Domestic (tons)	Apr.	58,368	66,246	55,749
Refined Del., Domestic (tons)	Apr.	42,484	50,486	31,684
Refined Stocks, Domestic (tons)	Apr. 30	332,513	320,446	356,663
Refined Prod., World (tons)	Apr.	166,308	171,343	162,588
Refined Del., World (tons)	Apr.	111,194	158,066	161,261
Refined Stocks World (tons)	Apr. 30	522,722	506,391	541,579
TIN				
Price cents per lb., N. Y.	May 27	49.00	48.80	35.80
Tin Plate, price $ per box	May 27	5.00	5.00	5.35
World Visible Supply† as of	Apr. 30	33,873	33,890	30,606
U. S. Deliveries†	Apr.	5,980	4,755	3,745
U. S. Visible Supply† as of	Apr. 30	3,385	5,806	4,447
LEAD				
Price cents per lb., N. Y.	May 27	4.75	4.75	4.00
U. S. Production (tons)	Apr.	39,250	40,799	39,291
U. S. Shipments (tons)	Apr.	37,903	40,871	25,952
Stocks (tons) U. S., as of	Apr. 30	123,394	122,035	156,715
ZINC				
Price cents per lb., St. Louis	May 27	4.50	4.50	4.00
U. S. Production (tons)	Apr.	43,036	45,084	38,035
U. S. Shipments (tons)	Apr.	40,641	45,291	20,806
Stocks (tons) U. S., as of	Apr. 30	130,380	127,985	135,238
SILK				
Price $ per lb. Japan xx crack	May 27	2.74½	2.71	1.62
Mill Dels. U. S. (bales), season to	May 1	362,075	334,273	320,301
Visible Stocks N. Y. (bales) as of	May 1	20,738	23,116	41,455
RAYON (Yarn)				
Price cents per lb	May 27	51.0	51.0	54.0
Consumption (a)	Apr.	23.1	26.5	16.3
Stocks as of (a)	Apr. 30	43.8	41.3	65.9
WOOL				
Price cents per lb. tops, N. Y.	May 27	86	86½	76½
HIDES				
Price cents per lb. No. 1 Packer	May 27	11.0	10½	.08¾
Visible Stocks (000's) (b) as of	Mar. 31	12,941	13,375	14,554
No. of Mos. Supply as of	Mar. 31	6.1	7.0	9.0
RUBBER				
Price cents per lb	May 27	16.33	16.00	11.30
Imports, U. S.†	Apr.	29,601	38,989	30,807
Consumption, U. S.†	Apr.	44,166	50,165	29,730
Stocks U. S. as of	Apr.	190,896	205,936	303,901
Tire Production (000's)	Mar.	5,137	4,344	2,680
Tire Shipments (000's)	Mar.	4,583	3,739	2,795
Tire Inventory (000's) as of	Mar. 31	10,109	9,573	10,521
COCOA				
Price cents per lb. July	May 26	4.35	4.23	4.13
Arrivals (thousand bags)	Apr.	518	675	199
Warehouse Stocks (thousand lbs.)	May 26	1,399	1,387	674
COFFEE				
Price cents per lb. (c)	May 27	7½	7⅜-7½	7¾
Imports, season to	Apr. 30	11,487	......	10,134
U. S. Visible Supply (bags 000's)	May 1	1,352	1,446	1,333
SUGAR				
Price cents per lb.				
Duty free delivered	May 27	2.90	2.90	2.65
Refined (Immediate Shipment)	May 27	4.45	4.45-4.50	4.65
U. S. Deliveries (000's)*	1st 4 Mos.	1,942	......	1,802
U. S. Stocks (000's)* as of	Apr. 30	703	735	821

PRESENT POSITION AND OUTLOOK

Copper. Both foreign and domestic prices have displayed a firm tone, but the real test of the prevailing price structure for all non-ferrous metals is still ahead in the months June-August. Stocks at the end of last April were the highest since last July and domestic producers will shortly be compelled to curtail operations if the problem of burdensome supplies is to be avoided.

* * *

Tin. Prices have recovered moderately but buying interest is inactive. Some talk is being heard of a possible shortage in Straits tin later on. This, however, could be easily avoided by an increase in quotas. Tin plate operations are back to 70 per cent and the $5 price has been reaffirmed for the third quarter.

* * *

Lead. April figures disclosed only slight changes in the statistical position of lead. Stocks were up 1,359 tons and shipments were only moderately below the level of the first quarter. Production was virtually the same as in April, 1938.

* * *

Zinc. Zinc buyers in recent weeks have displayed marked indifference. Market activity has been restricted. Supplies are ample and the prospect of higher prices is very slight.

* * *

Silk. Although still close to their recent highs, silk prices lately have displayed greater irregularity. High prices have been responsible for the recent advance in hosiery prices by leading manufacturers. Hosiery output is being curtailed, despite the fact that shipments in the first quarter established a new high record.

* * *

Rayon. Deliveries in May are understood to have been slightly higher than in April. Orders on hand for June are large and it is expected that current activity will continue well through August.

* * *

Wool. Prices have held well, but thus far the trade has offered strong resistance to any attempts to advance prices. Volume sales are being fairly well sustained but some relaxing in recent buying interest has been noted.

* * *

Hides. Characteristically, hide prices have moved up with the stock market. Certified stocks declined over the past week. Shoe output in May has been estimated as better than 15 per cent over May a year ago.

* * *

Rubber. As anticipated third quarter quotas were raised to 55 per cent of basic by the International Rubber Regulation Committee. This means the addition of about 20,000 tons to the potential supply of rubber for the third quarter. In calculating the ability of the world to absorb this increased tonnage, much will depend upon business conditions in the United States.

* * *

Cocoa. During the past week, cocoa prices rallied moderately and closed 10 to 14 points higher. Warehouse stocks are at an all-time high but it is expected that United States arrivals over the next several months will be very small.

* * *

Sugar. World prices have been steady and the same has been true of domestic prices, both raw and refined. Refiners, however, have displayed marked apathy in the raw market.

(a)—Million Pounds. (ac)—Actual. (pl)—Preliminary. (c)—Santos No. 4 N. Y. †—Long tons. *—Short tons.

Money and Banking

	Date	Latest Week	Previous Week	Year Ago
INTEREST RATES				
Time Money (60-90 days)	May 29	1¼%	1¼%	1¼%
Prime Commercial Paper	May 29	⅝-1%	⅝-1%	1%
Call Money	May 29	1%	1%	1%
Re-discount Rate, N. Y.	May 29	1%	1%	1%
CREDIT (millions of $)				
Bank Clearings (outside N. Y.)	May 13	2,326	2,525	2,263
Cumulative year's total to	May 13	44,913	......	42,931
Bank Clearings, N. Y.	May 13	2,936	3,699	3,272
Cumulative year's total to	May 13	59,668	......	71,834
F. R. Member Banks				
Loans and Investments	May 24	21,609	21,719	20,679
Commercial, Agr., Ind. Loans	May 24	3,845	3,852	4,074
Brokers Loans	May 24	639	663	590
Invest. in U. S. Gov'ts	May 24	8,304	8,334	7,979
Invest. in Gov't Gtd. Securities	May 24	2,031	2,010	1,364
Other Securities	May 24	3,228	3,290	2,928
Demand Deposits	May 24	16,681	16,719	13,969
Time Deposits	May 24	5,247	5,249	5,209
New York City Member Banks				
Total Loans and Invest.	May 24	7,940	7,857	7,500
Comm'l Ind. and Agr. Loans	May 24	1,372	1,369	1,546
Brokers Loans	May 24	565	495	447
Invest. U. S. Gov'ts	May 24	3,013	3,009	2,972
Invest. in Gov't Gtd. Securities	May 24	1,030	1,032	589
Other Securities	May 24	1,102	1,096	982
Demand Deposits	May 24	7,533	7,350	6,062
Time Deposits	May 24	624	621	634
Federal Reserve Banks				
Member Bank Reserve Balance	May 24	10,097	10,005	7,716
Money in Circulation	May 24	6,893	6,913	6,393
Gold Stock	May 24	15,927	15,892	12,905
Treasury Currency	May 24	2,859	2,857	2,701
Treasury Cash	May 24	2,646	2,683	2,248
Excess Reserves	May 24	4,300	4,240	2,630
		Latest Month	Last Month	Year Ago
NEW FINANCING (millions of $)				
Corporate	Apr.	258.8	99.6	78.4
New Capital	Apr.	77.1	52.9	66.8
Refunding	Apr.	181.7	46.7	11.6

COMMENT

With a calmer atmosphere in Europe, gold shipments have declined. Nevertheless, excess reserves continue to mount and the latest available **Federal Reserve** statement reveals excess reserves of $4,300,000,000—a new peak and up $60,000,000 for the week. Particularly significant was the decline of $20,000,000 in currency circulation. Since the month-end peak, currency circulation has dropped $22,000,000, a decline of $17,000,000 more than occurred at the same time a year ago. Total currency circulation, however, is still some $500,000,000 more than last year at this time, reflecting principally the heavy removal of currency by foreigners during the recent European crisis. Had it not been for this increase in circulation, excess reserves would now total $4,700,000,000.

* * *

Loans and investments of **New York City Member Banks** increased $83,000,000 in the latest week. The increase largely reflects the increase of $70,000,000 in loans to brokers and security dealers. The upturn in brokers' loans was not the result of a sudden revival of public interest in the stock market, but the enlargement of dealers' portfolios by purchases of Home Owners Loan securities. Holdings of long term Treasury bonds, after holding unchanged in the previous week, were up $2,000,000. After a decline of $9,000,000 in the preceding week, loans to agriculture, commerce and industry by New York banks rose $3,000,000. Since reaching their seasonal peak in mid-April commercial loans by local banks have shown a net decline of $14,000,000.

* * *

A compilation of the SEC reveals that of total new security issues registered in April, amounting to $307,754,000, 84 per cent were long term bonds, 14.8 per cent common stock and the balance preferred stock.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEX

No. of Issues (1925 Close—100)	1939 Indexes High	Low	May 20	May 27
316 COMBINED AVERAGE	73.1	50.7	56.5	60.1
5 Agricultural Implements	119.4	81.4	95.0	102.8
6 Amusements	43.2	26.8	33.8	35.8
15 Automobile Accessories	92.3	55.2	65.3	70.1
12 Automobiles	12.8	8.1	9.4	9.9
11 Aviation (1927 Cl.—100)	182.7	128.2	141.3	151.0
3 Baking (1926 Cl.—100)	15.4	11.5	12.4	13.0
3 Business Machines	183.9	121.9	129.0	138.4
9 Chemicals	168.2	123.7	132.5	137.6
20 Construction	47.5	27.7	30.8	33.7
5 Containers	242.6	165.0	179.8	190.3
9 Copper & Brass	118.6	71.2	79.4	85.0
2 Dairy Products	30.1	23.6	28.0	30.1 H
8 Department Stores	23.9	16.5	19.0	20.2
7 Drugs & Toilet Articles	53.5	40.4	44.2	46.0
2 Finance Companies	312.0	219.4	245.1	262.2
7 Food Brands	86.2	69.1	80.5	84.2
3 Food Stores	41.9	33.3	40.8	41.9
4 Furniture & Floor Covering	72.1	47.1	54.7	59.2
3 Gold Mining	1301.2	1123.7	1186.7	1215.6
6 Investment Trusts	28.1	19.2	20.2	21.5
4 Liquor (1932 Cl.—100)	193.1	143.2	154.5	161.7
9 Machinery	129.0	83.3	90.9	100.0

No. of Issues (1925 Close—100)	1939 Indexes High	Low	May 20	May 27
316 COMBINED AVERAGE	73.1	50.7	56.5	60.1
2 Mail Order	87.4	69.2	79.8	84.8
4 Meat Packing	52.3	43.2	44.0	45.4
14 Metals (non-Ferrous)	173.6	122.0	128.9	137.9
2 Paper	13.5	7.5	9.0	9.3
24 Petroleum	100.9	76.6	80.7	84.5
18 Public Utilities	62.6	44.9	50.6	53.1
4 Radio (1927 Cl.—100)	17.0	11.6	12.8	13.5
9 Railroad Equipment	61.6	33.7	37.9	42.2
22 Railroads	18.1	10.9	12.3	12.9
2 Realty	7.9	4.7	4.7x	4.8
2 Shipbuilding	82.7	45.1	53.4	61.3
13 Steel & Iron	99.0	60.4	64.5	70.6
2 Sugar	20.1	13.3	17.4	17.6
2 Sulphur	153.2	114.0	117.6	123.1
3 Telephone & Telegraph	52.7	40.6	44.6	47.1
4 Textiles	45.0	27.4	32.7	34.2
4 Tires & Rubber	20.0	13.0	14.3	15.7
4 Tobacco	85.9	76.2	80.8	82.4
4 Traction	36.9	21.9	33.5	34.6
4 Variety Stores	241.4	189.3	216.8	225.9
20 Unclassified (1938 Cl.—100)	100.8	73.1	83.4	85.0

H—New HIGH since 1937. x—New LOW this year.

Business Significance of Firming Raw Material Prices

(*Continued from page* 171)

market might be construed as a bullish factor at least for the nearer futures contracts, but commodity men have learned to mistrust government participation in their markets.

While neither wheat nor cotton nor rubber nor tin could be confidently expected to enter a sustained uptrend on the consummation of a barter agreement, there are other considerations in each which give grounds for hope that the lowest prices for some time to come may have been seen. The wheat market has of course been a weather affair. As the number one food material of the world, however, wheat must always be watched for indications of war scare buyiyng. At certain moments during the last few months prices for this grain have moved directly with the tension in Europe, although the latest rally has other grounds. Even if the most bearish predictions as to the size of this year's crop are fulfilled, it will still be 20% smaller than last year's.

Cotton is faced with an even more serious carryover situation, yet has managed to move up to a point where it is threatening previous highs. Some part of this strength is doubtless artificial, in that it is based on hopes for an export subsidy. Domestic consumption is higher than a year ago, but our exports are even lower than then.

Copper and pig iron present two enigmas in the shape of highly essential raw materials in either peace or war which have reacted from earlier levels yet in their current position offer considerable grounds for an optimistic forecast. The supply situation in copper has been changed greatly since the World War, with its production spread far more widely over the globe, but the need for the metal as well as for iron and steel has also become more imperative to any nation contemplating a trial at arms. In both these metals the demand question is paramount, and in both there is needed only satisfactory indication of the general business trend to settle the future course of their prices.

Most of the major commodities are directly linked to industry in a reciprocal function, their price not only influenced by but actually influencing the level of business activity. Firmness in raw materials is therefore encouraging at this point because of its implication that at least business will not be subjected to a drag in the shape of declining inventory values nor to a still more depressing feeling that deflation is in sway. It is likewise significant in considering the immediate future for either business or commodity prices to note the firmness in the finished products index. This index, to be found charted in the Business Analyst section, has been working upward since the turn of the year, giving testimony to the ability of the present price level to withstand a setback in business activity.

The action of various commodities cannot be judged separately for the larger trends because of their mutual dependence upon domestic and world conditions. The whole firming movement has been impressive, however, and that is true even if one admits that some part of the buying may have been with war needs in mind. Always provided that actual conflict remains in the future, the most logical expectation is for gradual extension of this uptrend.

"Handmade? Of Course Not!"

"Why, most everything in this store is made by machines nowadays. If it weren't, I wouldn't be selling half these things, and you couldn't buy them. They'd cost too much."

IF MANUFACTURED articles had to be made by hand, few American families could enjoy electric lights, automobiles, silk hose, telephones, or the other conveniences of life today. Even the necessities, such as food and clothing, would be scarcer and more expensive. And there wouldn't be the number of factory jobs there are in America today, or millions of other jobs selling, servicing, and supplying raw materials for the hundreds of new products that machines have made possible.

Fifty years ago, there were only 4,000,000 factory jobs in this country —today there are twice as many. Because industry devised machines to make products at low cost, more millions of people could buy them. And because more were bought, more men were employed making them.

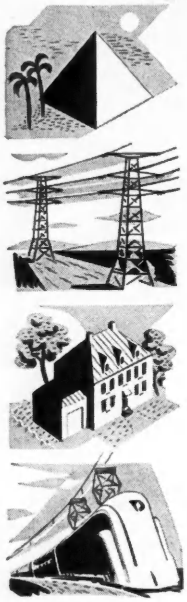
General Electric scientists and engineers, by applying electricity to the machines of industry, have been responsible for much of this progress. Their efforts today are creating not only MORE GOODS FOR MORE PEOPLE AT LESS COST, but also MORE AND BETTER JOBS AT HIGHER WAGES.

G-E research and engineering have saved the public from ten to one hundred dollars for every dollar they have earned for General Electric

GENERAL ELECTRIC

90-128D2

COPPER
THE METAL WITH A DESTINY



MAN'S earliest use of copper goes back about 6,500 years to ancient Egyptians and Chaldeans just emerging from the Stone Age. Through the centuries, man found many uses for the red metal but the great destiny of copper was not fulfilled until the coming of the electrical age.

No other force has so changed our lives and fostered high American standards of living as our inexpensive and ample supply of electricity. And this is so only because an abundance of copper was made available through American enterprise and initiative.

By a remarkable coincidence, the great Butte mines of Anaconda started production but shortly before the first central station went into operation in New York in 1882. In the ensuing years, these Anaconda mines produced billions of pounds of copper for the electrical industry, created direct employment for tens of thousands, and made vast contributions to our national wealth.

A Basic Industry

"Copper" is one of those basic industries through whose development America has prospered greatly. Farflung as is the copper industry today, much is yet to come. Through research and constantly improving methods, "the red metal" will contribute in still larger degree to an ever-higher standard of living.

ANACONDA
from mine to consumer

ANACONDA COPPER MINING COMPANY
25 Broadway New York

Machine Tool Profit Prospects

(*Continued from page* 185)

While the aircraft industry has been an excellent customer in the recent past, it seems likely to be an even better one in the future, judging by the total of unfilled orders with which it is confronted. Moreover, in this industry there may be found the demand for tools to carry on after war needs have been obviated.

All in all, the drop in tool orders in April seems far less ominous than would such a drop in any other industrial indicator. It probably has little significance bearing either on general business levels or on the industry itself. Large gains in the index have been found to bring their own reactions in the past, even though business activity continued to rise, as it has recently failed to do. The business has not gone elsewhere, it has not been diverted to other channels, it has simply been postponed until a better idea can be had of what the balance of the year will bring. Even a mediocre year for business in general is certain to continue the long-term gains for the tool makers which have been in process for several decades.

Applied to the practical problems of investment, this optimistic conclusion as to the industry requires two qualifications. It must be understood as a weighing of the major trend in relation to general business --not a prediction of monthly fluctuations, nor a prediction that machine tool orders will continue to grow regardless of the activity and prosperity of the customers. A sharp slump in industrial activity could not but affect the tool index exactly as it always has in the past. Armament orders and export business would be sustaining factors, but without the practical and psychological aid of domestic confidence no real progress could be made.

The second qualification concerns the choice of individual companies best situated to benefit from the favorable trends now in force. No outstanding concerns, large, strong and completely diversified and integrated, are available as investment vehicles in the industry. There has been no urge to combine prosperous independents into the mammoth companies with which we are familiar in steel and motors, for example. Thus though many of the firms in the business have long records of successful operation and can show irreproachable balance sheets, they lack certain elements which would be required of investment issues. Furthermore, the extremely volatile nature of the industry keeps both earnings and dividends far from anything that could be called stability.

A baker's dozen of the better known issues are shown in the accompanying table, all listed on the New York Stock Exchange or the Curb. Not all of these are strictly machine tool makers, since classifications in the business are bound to be nebulous. Of the ones coming completely within the definition, Niles-Bement-Pond, Ex-Cell-O Corp., Monarch and National Acme are all near the top in size and potential earning power. Both Ex-Cell-O and Niles-Bement-Pond have expanded their share of an expanding market over the last decade but optimism can be by no means confined to these two alone. Either as frank speculations or as a strictly limited portion of an investment portfolio, the machine tool issues offers an attractive

stake in a capital goods industry which has so far escaped the paralysis afflicting many comparable lines.

Business Reaction Ending? New Rise in Prospect?

(*Continued from page* 167)

prevalent recently among the majority of business men, investors and speculators. Conviction regarding the soundness or folly of New Deal stimulants has little to do with this change in sentiment. Much as one deplores policies which tend to freeze productive private investment, Government-bought recoveries are welcome while they last.

For the present the importance of indications that a third New Deal pump-priming program is shaping up is largely psychological. It is not certain whether authorization will be sought from the present session of Congress or whether the present propaganda build-up is designed to bulwark such a move when the next Congress assembles early in 1940. In any event and whatever the form of the next political recovery drive, the ammunition—money by the billions—will not be shot into the stream of national purchasing power until next year, which, by strange coincidence, will find us moving toward the most crucial election in many years. Meanwhile, however, the growing belief that pump-priming drive No. 2 will merely taper off into pump-priming drive No. 3 is a psychological cushion to business and to the markets. Only a short while ago the most common question was: How close are we to the peak of the present Washington spending and what will take up the slack when it tapers off?

Actually, the spending-lending program which was announced by the President in the late spring of last year, and which got actively under way only in the last four months of the year, is now well behind schedule. It appears that the deficit at the close of the fiscal year on June 30 will be at least $800,000,000 less than originally estimated. The difference will be added to the deficit for the 1940 fiscal year. So will the added appropriation of more than $300,000,000 for farm benefits, if the President signs the bill; and so will a portion of the rising expenditures for armaments. Moreover the major part of the authorized slum clearance program — recently enlarged—still lies in the future. In short, while some Washington authorities now project the present pump-priming to a peak in November, the chances are that it is going to be very hard for the naked eye to detect any subsequent tapering off.

Unless there is an early change in the picture, Congress seems headed for adjournment by mid-July and will probably go home without having adopted more than a minor portion of the constructive legislation desired by business men. A tax revision, described as "moderate," appears on the cards but apparently will not involve the one tax which could be moderated with greatest benefit to the cause of recovery and least damage to Federal revenues—namely, the tax on capital gains.

Generally speaking, the business position is healthy. Inventory policy has been cautious for many months and in key manufacturing industries unit labor costs have been brought down to economic levels. The consumption outlook is mod-

NEW FRONTIERS IN THE
WORLD OF ELECTRIC POWER

☆ ☆ ☆

NO LONGER are the economic advantages of electric power confined to the large metropolitan cities. Gradually this potent energizing force has reached the towns, and extends to the most remote villages and hamlets of the nation—to lighten labor, brighten homes, save time and otherwise contribute to the comfort and convenience of all our people. ¶ Today, widely available electric power permits industry to do much of its work in the smaller centers of population, away from the congestion of great municipalities. As a result, tenement dwelling workers may abide more cheaply and pleasantly on the countryside, well housed among healthful, satisfying surroundings. Agricultural sections also have benefited materially through the recent advances in electrical production, distribution and technical achievement. In fact, it has been estimated that there are approximately one hundred and forty present uses for electric power on the farm and even more for rural industries—a definite contribution toward greater versatility in such pursuits. ¶ Columbia System operating units have shown a consistent gain in electric customers, the present total exceeding 350,000. These companies keep pace as well with the nation's growing use of Natural Gas, for the past year having met the needs of more than 1,000,000 commercial, industrial and home consumers.

COLUMBIA SYSTEM

COLUMBIA GAS & ELECTRIC
CORPORATION

WHEN YOU SEE "THE CITY OF LIGHT"

don't miss . . . the collateral displays in the same Consolidated Edison building at the World's Fair.

- They show you how we handle problems which every public utility faces.
- TAXES . . . RISING COSTS OF SUPPLIES AND LABOR . . . EMPLOYEE RELATIONS . . . RATE REDUCTIONS . . . RESPONSIBILITY TO INVESTORS . . .
- These and other animated, lighted murals constitute a "Report to Customers" which will interest all utility men.
- Admission is free.

"THE CITY OF LIGHT" *is on the Plaza of Light, near the Fair's Theme Center.*

SERVICE

THE SYSTEM COMPANIES OF
CONSOLIDATED EDISON
NEW YORK & QUEENS ELECTRIC LIGHT & POWER COMPANY
BROOKLYN EDISON COMPANY, INC. • WESTCHESTER LIGHTING COMPANY
THE YONKERS ELECTRIC LIGHT & POWER COMPANY • NEW YORK STEAM CORPORATION

erately favorable, and sufficiently so to support another period of rise in production. At least some nearby improvement is probable and—Hitler and our labor unions permitting—there is an even chance it can extend into a summer recovery trend similar to that of 1936. We are not so many weeks away from the stimulus of rising motor production in the third quarter, the new models to be introduced a month or more ahead of last year's dates. After that? Well, after that we'll be wondering about 1940 in more ways than one.

Low Priced Stocks for Purchase at Special Buying Points

(*Continued from page* 192)

business. In the past, competition in the paperboard industry has shown a tendency to intensify with any decline in volume. This competition has usually taken the form of price cutting.

Last year, for example, earnings, reflecting principally an unfavorable price situation, were sharply under the level of 1937. Net of $29,450 was equivalent to only 4 cents a share on the capital stock, in comparison with $1,784,105 or $2.28 a share in 1937. Since the beginning of the year, however, conditions in the paperboard industry have undergone considerable improvement. Prices have strengthened moderately and only twice in the history of the industry has more paperboard been produced than the total turned out in March. Notwithstanding the high output, unfilled orders at the end of the month showed an increase and incoming orders exceeded production.

Reflecting improved conditions, Container Corp. was able to show earnings equivalent to 3 cents per share for the capital stock, contrasted with a loss of some $53,000 in the first quarter of 1938. Capitalization is comprised of funded debt totaling $5,945,500 and 781,253 shares of capital stock. At the end of last year financial position was satisfactory.

On the assumption that the recent improvement in the internal position of the paperboard industry will be sustained and carried further into the current year, Container Corp. shares, recently quoted around 11, should prove a worth-while speculative vehicle.

Answers to Inquiries

(*Continued from page* 195)

The company operates in the least competitive branches of the paper industry and earnings have been somewhat more stable than for the average paper company. In the fiscal year ended April 24, 1938, the company earned $1,557,439, equal after preferred dividend requirements to $1.98 a share as compared with a net of $1,753,408, or $2.34 per common share a year earlier. In the year ended April 28, 1939, the company is estimated to have earned approximately 50 cents per common share. The capitalization of the company gives the common stock a high degree of leverage, making for wide swings in per share earnings on a slight variation in net income. Full benefits from the company's new coating process and the expansion program are yet to be derived and future profit margins will be widened

by these developments. With better prices in prospect we counsel continued retention of your 50 shares.

National Tea Co.

How do your security analysts appraise the price appreciation possibilities of National Tea under current conditions? Should profits increase now that many of the company's unprofitable stores have been eliminated and labor troubles reduced? Is the company successfully overcoming super market competition? Your answers to these questions will greatly benefit a stockholder in this company holding 200 shares at 11. —E. Y., St. Louis, Mo.

The National Tea Company operates a chain of 1,103 retail food stores in eight states with 50% concentrated in the Chicago area and the remainder chiefly in Wisconsin, Iowa and Minnesota. More than one-third of the units are combination markets, including meat departments. The company followed an aggressive expansion program from 1936 to 1938 with 1,589 stores in operation the latter year, but more than 300 stores were closed from 1930 to 1933 and another 139 were discontinued last year. The policy of discontinuing unprofitable stores and operating economies held the net loss to $982,313, or a deficit of $1.71 per common share in 1938, as against a deficit of $1,365,280, or $2.30 per share in 1937. Last year $239,000 was expended on a modernization program, and it is estimated that $200,000 will be needed for further improvements. The company operates a number of self-service markets, but competition has been increased by the rise of super-markets which tend to lower profit margins. The cash position of the company showed some improvement at the close of 1938, but working capital is not large. Profits will continue to be restricted, but the present low price for the issue appears to have discounted the uncertain near-term outlook and we would recommend retention of the stock as a speculation.

Gimbel Bros., Inc.

Kindly give me your advice on Gimbel Bros., common, of which I hold 150 shares at 25¼. How do the company's three New York stores stand to benefit from the New York World's Fair, as compared with its competitors? What is the earnings outlook for the Philadelphia, Pittsburgh, Milwaukee

Forget Hitler

and send for our bulletin on

TODAY'S OPPORTUNITIES

Your profits and income are not increased by European broadcasts but by U. S. A. bargains. TUNE IN on today's opportunities in business and investments. Our bulletin will show you the way. Gratis on request.

Babson's Reports, Div. 94-77 M, Babson Park, Mass.

Send me the complimentary report you offer.

NAME ______

ADDRESS ______

DIVIDENDS AND INTEREST

UNION CARBIDE AND CARBON CORPORATION

A cash dividend of Fifty cents (50¢) per share on the outstanding capital stock of this Corporation has been declared, payable July 1, 1939, to stockholders of record at the close of business June 2, 1939.

ROBERT W. WHITE, Treasurer

THE ELECTRIC STORAGE BATTERY CO.

Exide BATTERIES

The Directors have declared from the Accumulated Surplus of the Company a dividend of Fifty Cents ($.50) per share on the Common Stock and the Preferred Stock, payable June 30, 1939, to stockholders of record of both of these classes of stock at the close of business on June 9, 1939. Checks will be mailed.

H. C. ALLAN, *Secretary and Treasurer.*
Philadelphia, May 19, 1939.

ANACONDA COPPER MINING CO.
25 Broadway,
New York, N. Y., May 25, 1939.
DIVIDEND NO. 124

The Board of Directors of the Anaconda Copper Mining Company has declared a dividend of Twenty-five Cents (25c) per share upon its Capital Stock of the par value of $50 per share, payable June 22, 1939, to holders of such shares of record at the close of business at 3 o'clock P.M., on June 6, 1939.

D. B. HENNESSY, Secretary.

NATIONAL DAIRY PRODUCTS CORPORATION

Dividends of $1.75 per share on the Preferred A and Preferred B stocks and 20¢ per share on the Common stock have been declared payable July 1, 1939, to holders of record June 1, 1939.

A. A. STICKLER
Treasurer
May 18, 1939

TEXAS GULF SULPHUR COMPANY

The Board of Directors has declared a dividend of 50 cents per share on the Company's capital stock, payable June 15, 1939, to stockholders of record at the close of business June 1, 1939.

H. F. J. KNOBLOCH, Treasurer

COMMERCIAL INVESTMENT TRUST CORPORATION

Convertible Preference Stock, $4.25 Series of 1935, Dividend

A regular quarterly dividend of $1.06¼ on the Convertible Preference Stock, $4.25 Series of 1935, of COMMERCIAL INVESTMENT TRUST CORPORATION has been declared payable July 1, 1939, to stockholders of record at the close of business on June 10, 1939. The transfer books will not close. Checks will be mailed.

Common Stock—Regular Dividend

A regular quarterly dividend of $1.00 per share in cash has been declared on the Common Stock of COMMERCIAL INVESTMENT TRUST CORPORATION, payable July 1, 1939, to stockholders of record at the close of business June 10, 1939. The transfer books will not close. Checks will be mailed.

JOHN I. SNYDER, *Treasurer.*

May 25, 1939.

THE BELL TELEPHONE COMPANY OF CANADA

Notice of Dividend

A dividend of Two Dollars per share has been declared payable on the 15th day of July, 1939, to shareholders of record at the close of business on the 23rd of June, 1939.

F. G. WEBBER, Secretary.

Montreal, May 25, 1939.

UNITED CARBON COMPANY DIVIDEND NOTICE

A quarterly dividend of 75 cents per share has been declared on the Common Stock of said Company, payable July 1, 1939 to stockholders of record at 3 P.M., June 15, 1939.

C. H. McHENRY, Secretary.

A MESSAGE TO PRESIDENTS:

Create investor confidence in your securities by publishing your dividend notices, when declared, in these columns. Such publication brings the investment features of your stock to the attention of stockholders of record who read The Magazine of Wall Street consistently for financial guidance.

EMANUEL & Co.

MEMBERS
New York Stock Exchange
New York Curb Exchange

Public Utility Bonds for Investment

MAIN OFFICE:
50 Pine St., N. Y. C.
Phone: HAnover 2-5335
UPTOWN BRANCH:
Ritz-Carlton Hotel, N. Y. C.
Phone: PLaza 3-4214

MARKET VALUES
are best determined by men trained in financial research. Send in a list of your securities for our up-to-date analysis.
Write Dept. MG6

CHISHOLM & CHAPMAN
Established 1907
Members New York Stock Exchange
52 Broadway New York

New!

COMMON STOCKS AND UNCOMMON SENSE
By Clark Belden

FEATURES

1. Shows What Can Be Done
2. New Facts and Ideas
3. Enlightening Experiences
4. Investment Considerations
5. Protective Methods
6. Appreciation Plans

Buy this book and

REDUCE COMMON STOCK PERPLEXITY
322 pages—$3
COWARD-McCANN, INC., NEW YORK

and Chicago stores? Are operating efficiencies and store modernization beginning to show up in earnings?—H. J., New York, N. Y.

Gimbel Bros., Inc., operates three large department stores in New York City, with large units also in Pittsburgh and Milwaukee, as well as numerous resort branches. About 50% of total sales of the company are derived from the New York Stores. These three units, Saks-Fifth Avenue, Saks-34th Street and Gimbel Bros., are well situated to benefit from the World's Fair, as Saks-Fifth Avenue caters largely to the luxury trade, while the other two stores compete on a lower price basis. Although operating costs were reduced substantially in the past fiscal year, profits were adversely affected by a 12½% drop in dollar sales volume with the result that net profit for the twelve months ended January 31, 1939, declined to $437,530 from $2,278,000 earned in the previous fiscal year. This was equivalent to $2.22 per share of preferred stock as against $1.11 earned on the common stock in the 1937 fiscal year. Capitalization comprises $26,753,900 of funded debt followed by 197,989 shares of $6 preferred stock and 977,300 common shares. More aggressive management and a program of store modernization have improved operating efficiency of the company, but competition is keen and a rise in consumer buying power is the key to the future. Given the benefit of a higher sales volume, the increased efficiency would show up quickly in the form of higher earnings per common share. We recommend retention as a longer term speculation.

Lehn & Fink Products Corp.

I have 100 shares of Lehn & Fink purchased at 19½ and would like to know whether to hold? Do you forecast appreciable gains for the company's popular brands, such as "Lysol," "Pebeco" and "Hinds' Honey & Almond Cream," in view of the vigorous advertising campaigns being conducted? Kindly give me your advice. —T. A., Milwaukee, Wis.

The products of Lehn & Fink Products Co., in order of their importance to sales, are "Lysol," "Dorothy Gray" cosmetics, "Hinds' Honey & Almond Cream," and "Pebeco" toothpaste. Various other products, including an antiseptic and sunburn preventive have been added to the list of products, but they do not contribute heavily to sales volume. The company has shown a declining trend in earnings in every year but one since 1929 indicating the highly competitive and changeable nature of the business. Operations in the full year 1938 showed a net profit of $420,414, or $1.05 per share of common stock compared with earnings of $532,623, or $1.33 a share, in 1937. The common stock, outstanding in the amount of 400,000 shares, comprises the sole capitalization of the company. Growth possibilities of the company do not appear promising owing to the competitive nature of the business and the whims of consumer preference. However, earnings thus far in the current year are reported to be running at a higher rate than a year earlier, although they will tend to taper off later in 1939. The vigorous advertising campaign may stabilize earnings at a rate which will cover the current annual $1 dividend rate. The shares are suitable for holding as a speculation.

The Stockholder's Guide

(*Continued from page* 180)

field which may point with pride to a long unbroken record of dividend payments, but in the so-called heavy industries such companies are the exception rather than the rule.

Accompanying this discussion, the reader will find a representative list of high yielding common stocks, together with appropriate comments. Investors in a position to divert some portion of their funds to common stocks, as a means of bolstering income, should be able to make a suitable choice of several or more issues from this list.

Happening in Washington

(*Continued from page* 169)

labor unions, as well as contractors, supply dealers, and material manufacturers. Theory is that large numbers of often unrelated practices and agreements operate to keep up building costs and a broad attack on all fronts is necessary to promote home building. It is Arnold's first major attempt to use Sherman act more as an economic than a legal instrument.

Commerce Department is being revamped to put emphasis on consumer needs. Nucleus of Bureau of Industrial Economics requested by Roosevelt would be super-planning agency, and there is renewed talk of grade labeling, government branding and specifications, etc.

Oil anti-trust suits are viewed by some oil men as move to force industry to federal control since new investigations may make voluntary conservation and stabilization programs impossible and bring chaos leading to demand for regulation.

ugh
r in
sing
s at
rent
hares
pecu-

de

de to
idend
heavy
e the
e.
n, the
ve list
ts, to-
ments.
divert
com-
tering
ake a
more

gton

9)

actors,
manu-
e num-
ces and
build-
on all
e home
major
more as
rument.

eing re-
on con-
reau of
sted by
lanning
talk of
randing

wed by
e indus-
new in-
oluntary
on pro-
g chaos
ation.